

HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING  
JUNE 26, 2013  
APPLICATION SUMMARY

NAME OF PROJECT: LP Nashville II, d/b/a Signature Healthcare of  
Nashville Rehabilitation & Wellness Center

PROJECT NUMBER: CN1304-012

ADDRESS: 832 Wedgewood Avenue  
Nashville (Davidson County), TN 37203

LEGAL OWNER: LP Nashville II, LLC  
12201 Bluegrass Parkway  
Louisville (Jefferson County), KY 40229

OPERATING ENTITY: Signature Clinical Consulting, LLC and Signature  
Consulting Services, LLC  
12201 Bluegrass Parkway  
Louisville (Jefferson County), KY 40229

CONTACT PERSON: Michael D. Brent  
(615) 252-2361

DATE FILED: April 15, 2013

PROJECT COST: \$4,009,562.00

FINANCING: Combination of Cash Reserves of Applicant and Loan  
from Health Care, REIT, Inc. (HCR)

REASON FOR FILING: COST OVERRUN for CN1009-044A

DESCRIPTION:

*Note to Agency Members: Pursuant to TCA §68-11-1607 the modification of a health care institution which results in a capital expenditures of 2 million dollars (5 million for hospitals) triggers a CON requirement. Agency rules describe a process whereby an applicant may request a modification of a CON to address additional costs but does note, "In no event will any change which would independently require a certificate of need be considered for a*

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*modification or addendum. Since this cost overrun exceeded the 2 million dollars threshold, the applicant was required to file a new certificate of need to address the \$4,009,562 cost overrun (Rule 0720-10-.06 (8)(a)).*

LP Nashville II, LLC (LPN II), a subsidiary of Signature HealthCARE, LLC (SHC) of Louisville, Kentucky, is seeking **CONSENT CALENDAR** for the approval of the cost overrun of \$4,009,562 for the completion of a previously approved and implemented certificate of need, LP Nashville II, LLC, CN1009-044A. CN1009-044A was originally approved at the December 15, 2010 Agency meeting at a project cost of \$13,360,741.00 for the replacement of Lakeshore Wedgewood Nursing Home (License #57 with sixty-one (61) nursing home beds), located at 832 Wedgewood Avenue, Nashville (Davidson County), Tennessee and a change of location and replacement of River Park Health Care (License #62 with fifty-eight (58) nursing home beds), located at 1306 Katie Avenue, Nashville (Davidson County), Tennessee. The project created a 119-bed replacement nursing home located at 832 Wedgewood Avenue, Nashville (Davidson County), Tennessee. The final Project Report submitted by the applicant indicated a final project cost of \$17,370,303.00.

## **CRITERIA AND STANDARDS REVIEW**

*There are no criteria and standards that apply to a cost overrun.*

### **Summary**

According to the Final Project Report filed by the applicant on April 15, 2013, the project was completed in January 2013 and received its first patient on January 28, 2013. The Final Cost report contains a summary of cost factors, a brief narrative summary, Project Costs Chart and Architect's Letter. For more details, the Final Project Report is located in the supplemental response.

The completed project is a two-story structure containing 72,943 square feet: 44,205 square feet is new construction, while 28,738 square feet of the existing Lakeshore Wedgewood structure was renovated. Patient rooms are located in both the renovated and newly constructed sections and on both levels of the building. The specific configuration includes 55 private, single occupancy rooms, and 64 semi-private occupancy beds in 32 rooms.

The applicant states the cost overrun of \$4,009,562 was due to the following unanticipated three issues:

- 1) **Site** - During the excavation process, the applicant discovered a large amount of rock under the proposed site. The applicant had to blast, remove the rock, and back fill the empty area with materials for stabilization and support at an additional cost of \$334,000. In addition, the applicant spent \$621,000 in additional costs for the demolition of existing buildings, which required grading, and installation of storm pipes and other water control features.
- 2) **The Perry Building** - The Perry Building is the portion of the campus that the applicant intended to keep in place while the remainder of the campus was to be demolished. The building was previously used to house assisted living residents. As construction began, the applicant discovered the Perry Building architect's drawings were inaccurate which meant the intended floor plan could not support the contemplated building changes and improvements. In addition, shortly thereafter, the applicant was informed the forty-year old Perry Building could not be "grandfathered in" which meant the building would need to be updated to meet current building codes. Extensive facility upgrades to the physical structure, electrical, HVAC and plumbing were needed to bring the Perry Building up to code for the safety of nursing facility residents. The actual cost of renovations to the Perry building was \$2,100,000.00, while only \$500,000 was originally budgeted. The result was a negative variance of \$2,100,000.00 (\$91.00 per square foot).
- 3) **The New Building** - Numerous field modifications were required to make the original design work, which caused change orders and delays. Steel, framing, HVAC, electrical, and sprinkler installment were all more expensive than projected. New construction cost was projected at \$118.88 per square foot in the original application but the final cost was actually \$157.00 per square foot, which resulted in a \$1,600,000 negative cost variance (or \$1,100,000 after applying the Contingency Fund). The applicant favorably compares the final new construction cost of \$157.00 to the Tennessee Health Services and Development Agency published New Construction median cost of \$167 per square foot for Nursing Homes with approved CON applications for the years 2009-2011.

LP Nashville II, LLC d/b/a Signature Healthcare of Nashville Rehabilitation & Wellness Center is a subsidiary of Signature HealthCARE, LLC ("SHC"), a Delaware limited liability company based in Louisville, Kentucky. Signature HealthCARE, LLC also owns seventy-three (73) long-term facilities throughout the Eastern and Southeastern United States. Twenty-six (26) of the nursing home facilities are located within Tennessee. Signature Consulting Services, LLC, Signature Clinical Consulting Services, LLC and Signature Payroll Services, LLC

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will provide for the provision of various consulting and management services. Signature Consulting Services, LLC and Signature Clinical Consulting Services, LLC and Signature Payroll Services, LLC are wholly-owned subsidiaries of Signature HealthCARE, LLC and provide similar services to all the other seventy-three (73) Signature HealthCARE, LLC facilities.

Davidson County is the primary service area of the completed nursing home project. According to the Division of Health Statistics, Tennessee Department of Health (TDH), the population of Davidson County is expected to increase by 1.4% from 605,923 residents in 2013 to 614,222 residents in 2014. According to the US Census Bureau, the population of Davidson County is estimated to have increased by 3.4% from 626,684 residents in 2010 to 648,295 residents in 2012. The Davidson County 2013 age 65 and older category presently accounts for approximately 12% of the total population compared to a statewide average of 14.1% in CY 2013. The age 65 and older cohort of Davidson County is expected to grow 5.3% by 2015. According to the Tennessee Department of Finance and Administration's Bureau of TennCare website, approximately 19.9% of Davidson County's 2012 population was enrolled in TennCare.

The applicant states the current occupancy rate as of April 15, 2013 is approximately 2% due to the recent opening of the facility. The applicant is also waiting for Medicaid and Medicare certification before admitting residents with Medicaid or Medicare as a payor source.

The applicant expects the ADC of the proposed 119 beds to increase from approximately 39 patients per day in the first year of operations (2013) to 87 patients per day by the second year of operations (2014). The corresponding facility occupancy is 33% in Year 1 and 74% in Year 2.

Per the Projected Data Chart for the 119-bed facility, gross operating revenue on an occupancy rate of 33% is \$4,254,541 (\$301.00 per patient per day) in Year 1 of the project increasing by approximately 136% to \$11,162,062 on an occupancy rate of 73.4% in Year 2. The applicant projects a loss in operating income of (\$709,558) in project Year 1 increasing to a positive operating income of \$1,110,340.00 in Year 2. The applicant indicates it will seek contracts with 26 insurance companies listed In Attachment A.13 of the application, as well as the TennCare Managed Care Organizations (MCOs) known as AmeriChoice, AmeriGroup, and TennCare Select. Participation in the Medicare program during the first year of operation is anticipated to be \$2,552,725 (60% of total gross operating revenues), while participation in Medicaid is estimated to be \$1,063,635 (25% of total gross operating revenues).

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The total project cost to implement CN1009-044A was \$17,370,303.00, which resulted in a cost overrun of \$4,009,562. The following table summarizes the original estimated costs, the final cost, and the variance, which resulted in the cost overrun.

<b>Project Costs</b>	<b>CN1009-044A (Estimated)</b>	<b>Final Cost</b>	<b>CN1304-022 (Variance)</b>
Architectural and Engineering Fees	\$850,555	472,763	(\$377,792)
Legal Administrative	\$175,000	\$223,876	+\$48,876
Site Acquisition	\$3,545,200	\$3,563,258	+\$18,058
Site Preparation	\$110,000	\$1,064,993	+954,993
Construction Costs	\$5,341,965	\$9,033,154	+\$3,691,189
Contingency Fund	\$470,006	0	(\$470,006)
Fixed Equipment	\$1,500,000	\$429,160	(\$1,070,840)
Moveable Equipment	0	\$647,394	+\$647,394
3rd Parties, Taxes, Permits, HUD	\$307,741.00	\$182,417	(\$125,324)
Interim Financing	\$869,755	\$1,078,364	+\$208,609
Underwriting Costs	\$160,525	\$256,979	+\$96,454
Development Fee	0	\$378,950	+\$378,950
CON Filing Fee	\$29,994	\$38,995	+\$9,001
<b>Total Estimated Cost</b>	<b>\$13,360,741</b>	<b>\$17,370,303</b>	<b>\$4,009,562 (Project overrun)</b>

Source: CN1304-012

A letter dated April 12, 2013 from Signature HealthCare's Chief Financial Officer attests to the availability of funds for the project cost overrun through cash reserves and available financing sources arranged with Health Care REIT, Inc. The applicant arranged with Health Care REIT, Inc. to increase the amount of its maximum contingent payment amount on its loan under the master lease from \$13,900,000 to \$15,300,000. The applicant paid the remaining \$2,609,562 from cash reserves.

*The applicant has submitted the required corporate and property documentation. Staff will have a copy of these documents available for member reference at the Agency meeting. Copies are also available for review at the Health Services and Development Agency office.*

Should the Agency vote to approve this project, the CON would expire in two years. However, please note the facility has received its license and has admitted patients.

#### CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for this applicant.

#### CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no denied applications for other health care organizations in the service area proposing this type of service.

#### Pending Applications

**McKendree Village, CN1303-007**, is scheduled to be heard at the June 26, 2013 Agency meeting for the renovation, construction, and partial repositioning of fifty (50) existing dually certified beds in addition to the modification of CN1202-010A approved for thirty (3) dually certified beds in addition to the modification of CN1202-010A approved for 30 dually certified nursing home beds. The nursing home's licensed bed complement of one hundred eighty (180) beds after implementation of CN1202-010A will not change. **The estimated project cost is \$3,808,150.00.**

#### Outstanding Certificates of Need

**The Health Center of Nashville, LLC, CN1107-024A**, has an outstanding Certificate of Need, which will expire on November 1, 2014. The CON was approved at the September 28, 2011 Agency meeting for the relocation of previously approved CN1002-007A for the construction of a 150 bed nursing home facility. *Note to Agency members: These are the 150 beds that the previous owner of McKendree chose to delicense and transfer to NHC.* The proposed site is located on approximately 13 acres with approximately 970 feet of frontage along Hwy 100 at the SE quadrant of Hwy 100 and Pasquo Rd, Nashville (Davidson County), TN. The estimated project cost is **\$23,900,000.00**. *Project Status: According to a 5/31/13 email from a representative of the applicant, the project is in active development*

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*and significant progress has been achieved. Milestones reached: rezoning to allow use approved by Planning Commission and Metro Council, utility extensions to site designed and approved, off site traffic improvement agreement with Metro finalized, final site plan approved by Planning Dept. & Public Works, site/land purchase closed, and architectural and engineering documents are approximately 20-25% complete. Please see Letters of Intent below for additional information related to this project.*

**McKendree Village, CN1202-010A**, has an outstanding Certificate of Need, **which** will expire on July 1, 2014. The CON was approved at the May 23, 2012 Agency meeting for the addition of 30 Medicare skilled beds to its 150 bed nursing home, resulting in a 180 bed nursing home in which all beds will be dually certified for Medicare and Medicaid. The additional 30 private nursing home beds will be located in 16,000 square feet on the upper level of an existing wing of the facility known as 2-North. This area formerly housed 50 beds in 20 private rooms and 15 dual-occupancy rooms. The estimated project cost is **\$1,303,000.00**. *Project Status: The applicant has requested that CN1202-010A be modified to reflect the construction project described in this application (CN1303-007) including the extension of the expiration date concurrent with this project.*

#### Letters of Intent

**The Health Center of Hermitage, LLC**, filed a letter of intent on June 10, 2013 to relocate 60 beds from unimplemented certificate of need CN1107-024A (The Health Center of Nashville, LLC) and for the addition of 30 new beds. The beds will be relocated to an undeveloped site in Davidson County. The property does not have an address but is located along Bell Road approximately 2 miles south of its intersection with I-40. The request for partial relocation is relative to the qualified partial relocation of certain nursing home facilities which was permitted by PC 618, Acts of 2012 and is codified at TCA § 68-11-1631.

**PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.**

**PME 6/13/2013**

## LETTER OF INTENT





2013 APR 10 PM 1:00

## LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Tennessean which is a newspaper of general circulation in Davidson County, Tennessee, on or before April 10, 2013 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency.

LP Nashville II, LLC d/b/a Signature Healthcare of Nashville Rehabilitation & Wellness Center

nursing home

(Name of Applicant)

(Facility Type-Existing)

owned by: LP Nashville II, LLC with an ownership type of limited liability company

and to be managed by: Signature Clinical Consulting Services intends to file an application for a Certificate of Need for [PROJECT DESCRIPTION BEGINS HERE]: and Signature Consulting Services, LLC (Mgmt/Consulting)

for the cost overrun of approximately Four Million Ten Thousand Dollars (\$4,010,000) that occurred as a result of complications associated with implementing its previously-approved Certificate of Need application, CN1009-044A. The address of the facility is 832 Wedgewood Ave., Nashville, TN 37203.

The anticipated date of filing the application is: April 15, 2013

The contact person for this project is Michael Brent Attorney

(Contact Name)

(Title)

who may be reached at: Bradley Arant Boult Cummings LLP 1600 Division Street, Suite 700

(Company Name)

(Address)

Nashville

(City)

TN

(State)

37203

(Zip Code)

615/252-2361

(Area Code / Phone Number)

[Signature]

(Signature)

4/10/13

(Date)

mbrent@babco.com

(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency  
The Frost Building, Third Floor  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

**COPY-**

**Application**

**Signature**

**Healthcare of**

**Nash. Rehab.**

**Wellness**

**CN1304-012**

1. **Name of Facility, Agency, or Institution**

LP Nashville II, LLC d/b/a Signature Healthcare of Nashville Rehabilitation &amp; Wellness Center

Name

832 Wedgewood Avenue

Street or Route

Nashville

City

TN

State

Davidson

County

37203

Zip Code

2. **Contact Person Available for Responses to Questions**

Michael D. Brent

Name

Attorney

Title

Bradley Arant Boult Cummings LLP

Company Name

mbrent@babco.com

Email address

1600 Division Street, Suite 700

Street or Route

Nashville

City

TN

State

37203

Zip Code

Outside Counsel

Association with Owner

615-252-2361

Phone Number

615-252-6361

Fax Number

3. **Owner of the Facility, Agency or Institution**

LP Nashville II, LLC

Name

(502) 568-7800

Phone Number

12201 Bluegrass Parkway

Street or Route

Jefferson

County

Louisville

City

KY

State

40299

Zip Code

4. **Type of Ownership or Control (Check One)**

A. Sole Proprietorship

B. Partnership

C. Limited Partnership

D. Corporation (For Profit)

E. Corporation (Not-for-Profit)

F. Government (State of TN or Political Subdivision)

G. Joint Venture

H. Limited Liability Company

I. Other (Specify)

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

April 25, 2013

8:20 am

5. Name of Management/Operating Entity (If Applicable)

LP Nashville II, LLC (Operating); Signature Clinical Consulting Services and Signature Consulting Services, LLC (Mgmt/Consulting)

Name

12201 Bluegrass Parkway

Street or Route

Jefferson

County

Louisville

City

KY

State

40299

Zip Code

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. Legal Interest in the Site of the Institution (Check One)

- A. Ownership ☒ D. Option to Lease ☐  
 B. Option to Purchase ☐ E. Other (Specify)   
 C. Lease of  Years

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

7. Type of Institution (Check as appropriate--more than one response may apply)

- |  |                          |   |                                     |
|--|--------------------------|---|-------------------------------------|
| A. Hospital (Specify) <input type="text"/>                         | <input type="checkbox"/> | I. Nursing Home   | <input checked="" type="checkbox"/> |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty    | <input type="checkbox"/> | J. Outpatient Diagnostic Center                             | <input type="checkbox"/>            |
| C. ASTC, Single Specialty  | <input type="checkbox"/> | K. Recuperation Center                                      | <input type="checkbox"/>            |
| D. Home Health Agency  | <input type="checkbox"/> | L. Rehabilitation Facility                                  | <input type="checkbox"/>            |
| E. Hospice   | <input type="checkbox"/> | M. Residential Hospice                                      | <input type="checkbox"/>            |
| F. Mental Health Hospital  | <input type="checkbox"/> | N. Non-Residential Methadone Facility                       | <input type="checkbox"/>            |
| G. Mental Health Residential Treatment Facility                    | <input type="checkbox"/> | O. Birthing Center  | <input type="checkbox"/>            |
| H. Mental Retardation Institutional Habilitation Facility (ICF/MR) | <input type="checkbox"/> | P. Other Outpatient Facility (Specify) <input type="text"/> | <input type="checkbox"/>            |
|  |                          | Q. Other (Specify) <input type="text"/>                     | <input type="checkbox"/>            |

8. Purpose of Review (Check) as appropriate--more than one response may apply)

- |  |                          |   |                                     |
|--|--------------------------|---|-------------------------------------|
| A. New Institution   | <input type="checkbox"/> | G. Change in Bed Complement   | <input type="checkbox"/>            |
| B. Replacement/Existing Facility                                       | <input type="checkbox"/> | [Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation] | <input type="checkbox"/>            |
| C. Modification/Existing Facility                                      | <input type="checkbox"/> |   | <input type="checkbox"/>            |
| D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) | <input type="checkbox"/> | H. Change of Location   | <input type="checkbox"/>            |
| (Specify) <input type="text"/>   | <input type="checkbox"/> | I. Other (Specify) <input type="text"/>   | <input checked="" type="checkbox"/> |
| E. Discontinuance of OB Services                                       | <input type="checkbox"/> |   |                                     |
| F. Acquisition of Equipment  | <input type="checkbox"/> |   |                                     |

Cost overrun from previously-granted CON (CN1009-044A)

April 25, 2013

8:20 am

9. Bed Complement Data*Please indicate current and proposed distribution and certification of facility beds.*

	Current Beds Licensed	*CON	Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A. Medical	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
B. Surgical	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
C. Long-Term Care Hospital	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
D. Obstetrical	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
E. ICU/CCU	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
F. Neonatal	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
G. Pediatric	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
H. Adult Psychiatric	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
I. Geriatric Psychiatric	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
J. Child/Adolescent Psychiatric	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
K. Rehabilitation	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
L. Nursing Facility (non-Medicaid Certified)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
M. Nursing Facility Level 1 (Medicaid only)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
N. Nursing Facility Level 2 (Medicare only)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
P. ICF/MR	119	<input type="text"/>	119	119	119
Q. Adult Chemical Dependency	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
R. Child and Adolescent Chemical Dependency	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
S. Swing Beds	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
T. Mental Health Residential Treatment	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
U. Residential Hospice	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<b>TOTAL</b>	119	<input type="text"/>	119	119	119

\*CON-Beds approved but not yet in service

\*Note that because this CON application is due to a cost overrun, these 119 Nursing Facility Level 2 beds are already in service.

10. Medicare Provider Number Certification Type 11. Medicaid Provider Number Certification Type 12. If this is a new facility, will certification be sought for Medicare and/or Medicaid? 

13. *Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants?*  *If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.*

*Discuss any out-of-network relationships in place with MCOs/BHOs in the area.*

**SECTION A:****APPLICANT PROFILE**

Please enter all Section A responses on this form. All questions must be answered. If an item does not apply, please indicate "N/A". *Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment.*

*For Section A, Item 1, Facility Name must be applicant facility's name and address must be the site of the proposed project.*

**RESPONSE:** The applicant is LP Nashville II, LLC d/b/a Signature Healthcare of Nashville Rehabilitation & Wellness Center (the "Applicant"). The Applicant was previously granted a Certificate of Need (CN1009-044A) for the combined replacement of 119 beds to be located at 832 Wedgewood Avenue, Nashville, Tennessee 37203. The new facility, which was constructed pursuant to the granted CON, combined a replacement of the then-existing 61 bed Lakeshore Wedgewood facility, located at 832 Wedgewood Avenue, Nashville, Tennessee 37203 and the relocation and replacement of the then-existing 58 bed River Park Health Care facility, located at 1306 Katie Avenue, Nashville, Tennessee 37207, for a total of 119 beds.

*For Section A, Item 3, Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence, if applicable, from the Tennessee Secretary of State.*

**RESPONSE:** Please refer to Attachment A.3 of CN1009-044A, where you will find copies of the Articles of Incorporation and Certificate of Existence for LP Nashville II, LLC, the owner of the Applicant. This information has not changed since the filing and granting of CN1009-044A, and an updated Certificate of Existence for LP Nashville II, LLC from the Tennessee Secretary of State is attached as Attachment A.3.

*For Section A, Item 4, Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% or more ownership interest. In addition, please document the financial interest of the applicant, and the applicant's parent company/owner in any other health care institution as defined in Tennessee Code Annotated, §68-11-1602 in Tennessee. At a minimum, please provide the name, address, current status of licensure/certification, and percentage of ownership for each health care institution identified.*

**RESPONSE:** As stated in the previous CON application (CN1009-044A), the Applicant is LP Nashville II, LLC d/b/a Signature Healthcare of Nashville Rehabilitation & Wellness Center, a Delaware limited liability company that is authorized to do business in the State of Tennessee. LP Nashville II, LLC is a subsidiary of Signature HealthCARE, LLC ("SHC"), a Delaware limited liability company. While there have been some modifications to the overall structure of SHC and its various affiliates since, the approval of CN1009-044A, there have been no material changes in the information presented at the time of the filing and granting of CN1009-044A.

*For Section A, Item 5, For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract.*

Please describe the management entity's experience in providing management services for the type of the facility, which is the same or similar to the applicant facility. Please describe the ownership structure of the management entity.

**RESPONSE:** SHC and various affiliated entities currently operate 73 communities in seven (7) states throughout the Eastern and Southeastern United States (a list of those communities and states can be found at <http://ltcrevolution.com>). SHC and its affiliated operating entities contract with other SHC entities for the provision of various services, and the Applicant has entered into contracts for some such services with Signature Clinical Consulting Services, LLC, Signature Consulting Services, LLC, and Signature Payroll Services, LLC.

*For Section A, Item 6, For applicants or applicant's parent company/owner that currently own the building/land for the project location; attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements **must include** anticipated purchase price. Lease/Option to Lease Agreements **must include** the actual/anticipated term of the agreement **and** actual/anticipated lease expense. The legal interests described herein **must be valid** on the date of the Agency's consideration of the certificate of need application.*

**RESPONSE:** Please refer to Attachment A.6 of CN1009-044A for a copy of the Real Estate Purchase Agreement between Lakeshore Estate Incorporated and Signature Healthcare, LLC. This information has not materially changed since the filing and granting of CN1009-044A, although the financing structure of the Applicant did involve an assignment of that Real Estate Purchase Agreement to Health Care REIT, Inc. ("HCR," which serves as a master lessor for many SHC facilities) and the "sale-leaseback" of the project from HCR to the Applicant.

*For Section A, Item 13, Identify all MCOs/BHOs with which the applicant has contracted or plans to contract.*

**RESPONSE:** As stated in CN1009-044A, the two (2) managed care organizations with responsibility for long term care in the Applicant's service area are AmeriChoice (River Valley Plan) and Blue Cross Blue Shield of Tennessee (Volunteer State Health Plan). This information has not changed since the filing and granting of CN1009-044A.

The Applicant's sister facilities contract with various MCOs/BHOs in Tennessee. Please refer to the list at Response to Section A, Item 13 in CN1009-044A for a complete list of MCOs/BHOs with which the Applicant intends to contract, While this information has not materially changed since the filing and granting of CN1009-044A, there have been some changes in the marketplace,

and an updated list of MCOs/BHOs with which the Applicant is currently in discussion, or has agreed to contract with, is attached as Attachment A.13.



**NOTE:** Section B is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. Section C addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

## **SECTION B: PROJECT DESCRIPTION**

Please answer all questions on 8 ½" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

### **RESPONSE:**

#### **Description**

LP Nashville II, LLC d/b/a Signature Healthcare of Nashville Rehabilitation & Wellness Center (the "Applicant"), a Delaware limited liability company, seeks approval from the Health Services Development Agency (HSDA) for a Certificate of Need incident to the cost overrun of \$4,009,562 for completion of its project under CN1009-044A (the "Cost Overrun"). The Applicant completed its HSDA-approved project as described in its application for CN1009-044A, which involved the combined replacement of the then existing sixty-one (61) bed Lakeshore Wedgewood facility (License No. 57) located at 832 Wedgewood Avenue, Nashville, TN 37203, and the relocation and replacement of the then existing fifty-eight (58) bed River Park Health Care facility (License No. 62) located at 1306 Katie Avenue, Nashville, TN 37207. This information has not changed since the filing and granting of CN1009-044A.

#### **Ownership**

As stated in CN1009-044A, the Applicant is the operator of the facility and an affiliate of Signature HealthCARE, LLC (SHC), based in Louisville, Kentucky. Signature Consulting Services, LLC and Signature Clinical Consulting Services, LLC provide management and consulting services to the facility. This information has not changed since the filing and granting of CN1009-044A.

As stated in CN1009-044A, SHC owns and operates skilled nursing facilities in multiple states, with twenty-two (22) locations in Tennessee at the time of filing the application for CN1009-044A, which number has now increased to twenty-five (25) locations in Tennessee (in addition to the Applicant's facility). Please refer to Attachment B.I. of CN1009-044A for a complete listing of the Tennessee facilities. Except for the addition of the new facility under CN1009-

044A, and the other three (3) facilities, this information has not changed since the filing and granting of CN1009-044A.

#### Services, Building and Staffing

The facility was opened for public use on January 28, 2013. As stated in CN1009-044A, the Applicant provides long-term care services from the new facility, and will provide both Medicare-covered skilled nursing facility services and Medicaid nursing facility services for TennCare members in the service area (the application for the Medicare provider agreement has been filed (and was approved by the fiscal intermediary on March 20, 2013), and the Applicant anticipates receiving final Medicare approval in the near future; the application for the Medicaid provider agreement has not yet been filed, but the Applicant will finalize and file the Medicaid application as soon as the "tie-in notice" is received from Medicare). Affiliates of the Applicant also provide home and community based services (HCBS) and participate in the TennCare CHOICES program. This information has not materially changed since the filing and granting of CN1009-044A.

The new facility consists of approximately 73,000 square feet of new and renovated/rebuilt space. The as-built configuration of the facility includes fifty-five (55) private, single occupancy rooms with fifty-five (55) beds and thirty-two (32) double occupancy rooms with sixty-four (64) beds. This information has not materially changed since the filing and granting of CN1009-044A (although certain issues determined during the final design phase for the building, as discussed below, did result in the final building being more akin to a diamond shape than a rectangle shape).

As stated in CN1009-044A, the facility is organized and staffed to meet the needs of all patients, with a particular emphasis on providing the highly qualified staff needed to take care of residents with complex conditions and rehabilitation needs. This information has not changed since the filing and granting of CN1009-044A.

#### Project Cost, Funding and Feasibility

The proposed cost of the project under CN1009-044A was \$13,360,741 for the 119 bed replacement nursing home. As stated in the Final Project Report submitted by the Applicant, the final cost of CN1009-044A was \$17,370,303. Accordingly, there was a cost overrun of \$4,009,562. The resulting cost per square foot was \$238 or \$145,969 per bed. Please see the Applicant's Response to Question 1 under the Economic Feasibility Section below for a detailed accounting of the cost overrun.

The project was funded from the cash reserves of the Applicant as well as its affiliated entity, SHC. In addition, a portion of the Cost Overrun was funded by an increase in an existing loan with Health Care REIT, Inc. (HCR). The revised projected data charts included with the application demonstrate that, despite the Cost Overrun, the facility will still be financially feasible by the second year of operation with a positive net operating income after capital expenditures, as was projected in CN1009-044A. Also included within the application is an occupancy projection for the first two years of the facility.

#### Need and Community Benefits

The need for the project was demonstrated in CN1009-044A, which was approved by the HSDA. The implementation of CN1009-044A restored services that had been previously provided by the River Park Healthcare facility and Lakeshore Wedgewood facility and increased the number of available beds in Davidson County. Moreover, there remains increasing demand for post-acute services to provide the facility with a sufficient population with which to complete its projections of occupancy and operate the facility on a financially feasible basis.

**II.** Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

**RESPONSE:**

As described above, the execution of CN1009-044A involved the combined replacement of the then-existing sixty-one (61) bed Lakeshore Wedgewood facility (License No. 57) located at 832 Wedgewood Avenue, Nashville, TN 37203, and the relocation and replacement of the then-existing fifty-eight (58) bed River Park Health Care facility (License No. 62) located at 1306 Katie Avenue, Nashville, TN 37207. The resulting new facility is a modernized, state of the art facility with an expansive therapy gym and numerous amenities. Please refer to the Applicant's Response to Question II.A. in CN1009-044A for a chart of the square footage and bed complement of the facility. Please also refer to the description of the design of the facility in the aforementioned response. This information has not materially changed since the filing and granting of CN1009-044A.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

## SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

[illegible]

## SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

[illegible]

**RESPONSE:**

As stated in CN1009-044A, the project involved only the relocation of licensed nursing home beds, but did not increase or decrease the existing bed inventory in the service area of Davidson County. This information has not changed since the filing and granting of CN1009-044A.

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

**RESPONSE:**

As stated in CN1009-044A, the project involved the combined replacement of the then-existing sixty-one (61) bed Lakeshore Wedgewood facility (License No. 57) located at 832 Wedgewood Avenue, Nashville, TN 37203, and the relocation and replacement of the then-existing fifty-eight (58) bed River Park Health Care facility (License No. 62) located at 1306 Katie Avenue, Nashville, TN 37207. The net result of the project was to restore needed long term care services to Davidson County. This information has not changed since the filing and granting of CN1009-044A.

D. Describe the need to change location or replace an existing facility.

**RESPONSE:**

As stated in CN1009-044A, the existing River Park Health Care facility location and physical plant were no longer suitable for a long term care facility due to the need for significant

structural upgrades, the fact that the location is now in an industrial area, and the flooding damage to the physical plant resulting from the May 2010 floods. Neither River Park Health Care nor Lakeshore Wedgewood was financially feasible independently, but combined, the newer, larger facility allows for increased operational efficiency and maximization of certain economies of scale. This information has not changed since the filing and granting of CN1009-044A.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):

a. Describe the new equipment, including:

1. Total cost ;(As defined by Agency Rule).
2. Expected useful life;
3. List of clinical applications to be provided; and
4. Documentation of FDA approval.

b. Provide current and proposed schedules of operations.

2. For mobile major medical equipment:

a. List all sites that will be served;

b. Provide current and/or proposed schedule of operations;

c. Provide the lease or contract cost.

d. Provide the fair market value of the equipment; and

e. List the owner for the equipment.

3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

**RESPONSE:** Not applicable. The project does not involve the acquisition of any major medical equipment.

**III. (A)** Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

1. Size of site (*in acres*);

2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.

*Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.*

**RESPONSE:** A revised plot plan is attached as Attachment B.III.A., which is not materially different from the plot plan submitted with the filing of the application for CN1009-044A (although certain issues determined during the final design phase for the building, as discussed below, did result in the final building located on the site being more akin to a diamond shape than a rectangle shape).

- (B) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

**RESPONSE:** Please refer to the response to Item B.III.B. in CN 1009-044A for a description of the Applicant's relationship to public transportation routes and to any highway or major road development in the area. This information has not changed since the filing and granting of CN1009-044A.

- IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: **DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

**RESPONSE:** Attached as Attachment B.IV. is a copy of the Applicant's final "as-built" floor plan. The floor plan has not materially changed since the filing and granting of CN1009-044A (although certain issues determined during the final design phase for the building, as discussed below, did result in the final building being more akin to a diamond shape than a rectangle shape). Also attached as Attachment B.IV. are photographs of the completed facility, and attached as Attachment B.IV. is the Tennessee Department of Health initial licensure survey of the facility, showing no deficiencies.

- V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and



5. Proposed branches.

**RESPONSE:** Not applicable.

**SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED**

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

**QUESTIONS****NEED**

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.
  - a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

**RESPONSE:** Not applicable.

- b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

**RESPONSE:** Not applicable.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

**RESPONSE:**

As stated in CN1009-044A, LP Nashville II and its affiliate SHC engaged in a detailed market analysis in connection with the project. Please refer to the Applicant's response to Question 2

under the Need Section in CN1009-044A for a description of SHC's long term development plan. This information has not changed since the filing and granting of CN1009-044A.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

**RESPONSE:**

As stated in CN1009-044A, the Applicant's service area is Davidson County and the Nashville Metropolitan area, which is consistent with the definition of service area in the Guidelines for Growth. Please refer to Attachment C, Need-3 in CN1009-044A for a service area map. This information has not changed since the filing and granting of CN1009-044A.

4. A. Describe the demographics of the population to be served by this proposal.

**RESPONSE:**

As stated in CN1009-044A, the demographics of the population served by the Applicant are those individuals aged 65 years and older and representing all payor sources, including Medicare, Medicaid, managed care, and private insurance payors. Please refer to the Applicant's response to Question 4.A. under the Need Section of CN1009-044A for a chart of growth projections of the Applicant's target demographic in Davidson County. Please also refer to Attachment C, Need-4 in CN1009-044A for additional demographic and need projection data. This information has not changed since the filing and granting of CN1009-044A.

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

**RESPONSE:**

As stated in CN1009-044A, the Applicant's facility is accessible to all consumers, including women, racial and ethnic minorities, and low-income groups. Please refer to the Applicant's response to Question 4.B. under the Need Section of CN1009-044A for a more detailed discussion of the special needs of the service area population. This information has not changed since the filing and granting of CN1009-044A.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

**RESPONSE:**

Please refer to the Applicant's response to Question 5 under the Need Section of CN1009-044A as to existing or certified services. To the knowledge of the Applicant, the only changes since the filing and granting of CN1009-044A have been the opening of two facilities which were under development at the time CN1009-044A was approved, and the approval of 30 additional beds at the facility known as "McKendree Village" pursuant to CN1202-010, which to the knowledge of Applicant are still under development..

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

**RESPONSE:**

As stated in CN1009-044A, LP Nashville II d/b/a Signature Healthcare Rehabilitation & Wellness Center is a new facility and, as such, has no utilization or occupancy statistics for past years. Based on its knowledge of the Davidson County and Metropolitan Nashville markets, as an affiliate of existing nursing home operators in those markets, the Applicant projects occupancy to exceed 92% after an initial census build up period. More specifically, the Applicant estimates that it will have an occupancy rate of 61% at the end of Year One, 83.2% at the end of Year Two and 92.8% at the end of Year Three. The Applicant's current occupancy rate is approximately 2%, due to the recent opening of the facility, and the fact that the Applicant is still awaiting Medicaid and Medicare certification before admitting resident with Medicaid or Medicare as their payor source.

**ECONOMIC FEASIBILITY**

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
  - All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
  - The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
  - The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation

or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

- For projects that include new construction, modification, and/or renovation; **documentation must be** provided from a contractor and/or architect that support the estimated construction costs.

**RESPONSE:** Please see the Project Costs Chart attached as Attachment C, Economic Feasibility-1.1.

The proposed cost of the project under CN1009-044A was \$13,360,741 for the 119 bed replacement nursing home. As you are aware from the Final Project Report submitted by the Applicant, the final cost of CN109-044A was \$17,370,303. Accordingly, there was a cost overrun of \$4,009,562 (the "Cost Overrun"). The Cost Overrun was due to the following unanticipated issues:

- The Site.** The original engineering report on which the projected costs for CN1009-044A were based stated that the proposed site of the Applicant's facility was balanced. Once excavation began after CN1009-044A was granted, however, the Applicant discovered that there was a vast amount of rock under the proposed site. Such rock was unanticipated based on the original engineering report, but once discovered had to be blasted and removed, leaving an empty area that subsequently had to be filled with appropriate materials for stabilization and support purposes. This unexpected issue with the facility's site created additional expenses of approximately \$334,000. Moreover, the demolition of the existing buildings required grading and installation of storm pipes and other water control features, resulting in additional costs of approximately \$621,000.
- The Perry Building.** The second major source of the Cost Overrun came from the conditions surrounding what is known as the Perry Building. The Perry Building is the portion of the site's campus that the Applicant intended, at the time it filed and was granted CN1009-044A, to keep in place, while the remainder of the campus was to be demolished. As the Applicant began construction after the granting of CN1009-044A, it was discovered that the architect's drawings were inaccurate, meaning that the floor plan could not support the contemplated changes and improvements. Shortly thereafter, the Applicant was informed that Perry Building, which was previously used for assisted living residents, could not be "grandfathered in." Thus, the forty year old Perry Building would have to be updated to meet current-day building codes.

As upgrades were made to the Perry Building and it was closely examined, the Applicant became aware that extensive construction to the Perry Building would be needed to make it a safe and habitable place for nursing facility living residents. For example, the roof, roof decking, windows, walls, ceilings, lighting, elevator, generator, parking lot elevation and bathrooms all required repair or replacement. Moreover, there were additional electrical, HVAC and plumbing changes need to make the Perry Building fully operational and "up to code." These changes were not

simply aesthetics issues, but resident safety issues. The renovations required for the Perry Building added significant time and expense to the project. While only approximately \$500,000 was set aside under CN1009-044A for the Perry Building renovations, the actual cost of these renovations approximated \$2,600,000 (\$91 per square foot), and a negative variance of \$2,100,000, which the Applicant certainly did not anticipate at the CN1009-044A was filed and approved.

- (c) **The New Building.** As approved under CN1009-044A, the Applicant began construction of a new building at the site shortly after the Certificate of Need was granted (the "New Building"). Partly because of the previously-discussed unanticipated site modifications that had to be made, the Applicant's proposed construction costs for the New Building proved inadequate. For example, the steel, framing, HVAC, electrical, and sprinkler systems installment were all more expensive than originally projected. In addition, the field modifications resulted in change orders and delays which increased the costs of the project. In CN1009-044A, the Applicant projected a budget of approximately \$118 per square foot. However, the final cost of the New Building approximated \$157 per square foot, resulting in a \$1,600,000 negative cost variance (or, \$1,100,000 after applying the Contingency Fund amount). The Applicant notes, however, that this cost per square foot is still lower than the State of Tennessee's published New Construction Costs for Nursing Homes with approved CON Applications for the years 2009-2011, which proffers that the median cost is \$167.31 per square foot.

2. Identify the Funding Source for this Project.

Please check the applicable item(s) below and briefly summarize how the project will be financed. (*Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.*)

- ☐ A Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ B Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.
- ☐ D Grants--Notification of intent form for grant application or notice of grant award; or
- ☒ E Cash Reserves--Appropriate documentation from Chief Financial Officer.
- ☒ F Other—Identify and document funding from all other sources.

**RESPONSE:** The Cost Overrun was funded from two different sources. First, the Cost Overrun was partially funded from cash reserves of the Applicant and its affiliate, SHC. Verification of the Applicant's financial position as documented by the Chief Financial Officer of SHC is included at Attachment C, Economic Feasibility-2. Second, the Cost Overrun was partially funded by Health Care REIT, Inc. (HCR) when the Applicant increased the Maximum Contingent Payment Amount on its loan under the master lease from \$13,900,000 to \$15,300,000.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

**RESPONSE:** The proposed cost of the project under CN1009-044A was \$13,360,741 for the 119 bed replacement nursing home. As stated in the Final Project Report submitted by the Applicant, the final cost of CN109-044A was \$17,370,303. Accordingly, there was a cost overrun of \$4,009,562. The Cost Overrun was due to the unanticipated issues discussed previously at Economic Feasibility, Item 1. The Applicant feels that the Cost Overrun, while a substantial amount, is reasonable when viewed in light of the extensive issues that were discovered once the Applicant began construction at the site.

While the final cost of the New Building approximated \$157 per square foot, resulting in a \$1,600,000 negative cost variance (or, \$1,100,000 after applying the Contingency Fund amount), the Applicant notes that this cost per square foot is still lower than the State of Tennessee's published New Construction Costs for Nursing Homes with approved CON Applications for the years 2009-2011, which proffers that the median cost is \$167.31 per square foot. Please see Attachment C, Economic Feasibility-3 for a chart comparing the cost of the Applicant's project to that of previously-approved CONs.

4. Complete Historical and Projected Data Charts on the following two pages--**Do not modify the Charts provided or submit Chart substitutions!** Historical Data Chart represents revenue and expense information for the last *three* (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

**RESPONSE:** While the Historical and Projected Data Charts submitted with CN1009-044A have not materially changed since the filing and granting of CN1009-044A, an updated Projected Data Chart is attached as Attachment C, Economic Feasibility-4.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

**RESPONSE:** Please refer to the response provided in CN1009-044A at Economic Feasibility, Question 5. While this information has not materially changed since the filing and granting of

CN1009-044A, an updated chart showing the project's average gross charge is attached as Attachment C, Economic Feasibility-5.

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

**RESPONSE:** PLEASE REFER TO THE RESPONSE PROVIDED IN CN1009-044A AT ECONOMIC FEASIBILITY, QUESTION 6.A. There has been no change to this information since the filing and approval of CN 1009-044A.

- B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

**RESPONSE:** Please refer to the response provided in CN1009-044A at Economic Feasibility, Question 6.B. Please also refer to Attachment C, Economic Feasibility-6.B. of CN1009-044A for a chart of estimated rates of other facilities in Davidson County. This relative information has not materially changed since the filing and granting of CN1009-044A. Please note that the current 2013 patient charge rates for the facility are comparable to similar facilities in Davidson County.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

**RESPONSE:** The Applicant conducted a detailed market analysis and pro-forma analysis to assure the financial viability of the project despite the Cost Overrun. Even with the Cost Overrun, the facility will have a positive cash flow by the second year of operation. Please note that the Applicant's projected fill rate is conservative as compared to other HSDA-approved projects

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

**RESPONSE:** The Applicant conducted a detailed market analysis and pro-forma analysis to assure the financial viability of the project despite the Cost Overrun. Even with the Cost Overrun, the facility will have a positive cash flow by the second year of operation. Please note that the Applicant's projected fill rate is conservative as compared to other HSDA-approved projects.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.



**RESPONSE:** As stated in CN1009-044A, the Applicant will participate in both the TennCare/Medicaid and Medicare programs. Please refer to the response provided in CN1009-044A at Economic Feasibility, Question 9. This information has not changed since the filing and granting of CN1009-044A.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

**RESPONSE:** As stated in CN1009-044A, the Applicant was at that time a newly formed entity, created for the single purpose of developing and operating this facility. Since the facility has only recently commenced operations, it does not yet have a balance sheet or income statement completed. Please refer to the response provided in CN1009-044A at Economic Feasibility, Question 10. While this information has not materially changed since the filing and granting of CN1009-044A, please also see the attached updated letter from SHC's Chief Financial Officer at Attachment C, Economic Feasibility-2.

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
  - a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

**RESPONSE:** As stated in CN1009-044A, the Applicant and SHC engaged in extensive market analysis and a feasibility study prior to applying for a certificate of need. Please refer to the response provided in CN1009-044A at Economic Feasibility, Question 11.a. This information has not changed since the filing and granting of CN1009-044A.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

**RESPONSE:** As stated in CN1009-044A, the Applicant and SHC engaged in extensive market analysis and a feasibility study prior to applying for a certificate of need. Please refer to the response provided in CN1009-044A at Economic Feasibility, Question 11.b. This information has not changed since the filing and granting of CN1009-044A.

## CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which

the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

**RESPONSE:** Attached as Attachment C, Contribution to the Orderly Development of Health Care – Question 1 is information as to the hospitals, nursing homes, and other organizations with which the Applicant has contractual and/or working relationships, for transfer agreements, health services, and so forth. Other similar contracts are still under negotiation by the Applicant.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

**RESPONSE:** As stated in CN1009-044A, the new facility is enhancing long term care and the delivery of those services within Davidson County and the Middle Tennessee area. Please refer to the response provided in CN1009-044A at Contribution to the Orderly Development of Health Care, Question 2. Please also refer to Attachment C, Contribution to Orderly Development-2 in CN1009-044A for a map of nearby facilities. This information has not changed since the filing and granting of CN1009-044A.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

**RESPONSE:** Attached as Attachment C, Contribution to the Orderly Development of Health Care – Question 3 is an updated list of employee positions and pay rates.

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

**RESPONSE:** As stated in CN1009-044A, the Applicant and SHC reviewed the Nashville labor market and evaluated the availability of staff for the project, concluding favorably that the market has the resources to support the facility. Please refer to the response provided in CN1009-044A at Contribution to the Orderly Development of Health Care, Question 4. Please also refer to Attachment C, Contribution to Orderly Development of Health Care-4.1, 4.2, and 4.3 in CN1009-044A. This information has not changed since the filing and granting of CN1009-044A.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.

**RESPONSE:** The Applicant so verifies.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

**RESPONSE:** As stated in CN1009-044A, the facility's location was selected specifically because of its proximity to three prominent universities (Vanderbilt, Belmont, and Lipscomb) that are leaders in research, education, and training in health care. Please refer to the response provided in CN1009-044A at Contribution to the Orderly Development of Health Care, Question 6. This information has not changed since the filing and granting of CN1009-044A, and discussions with Vanderbilt Medical Center about the coordination of educational training and cooperation with the Vanderbilt School of Nursing are currently underway.

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

**RESPONSE:** The Applicant so verifies, and would note that the new license for the facility issued by the Tennessee Department of Health is attached at Attachment C, Contribution to the Orderly Development of Health Care - Question 7.C.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

**RESPONSE:**

Licensure: Tennessee Department of Health, Board for Licensing Healthcare Facilities, Nursing Home License 394.

Accreditation: Certification from the Centers for Medicare and Medicaid Services (CMS) as a Medicare skilled nursing facility and Certification from CMS and TennCare as a Medicaid nursing facility.

- (c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

**RESPONSE:** LP Nashville II currently holds a nursing home license issued by the Tennessee Department of Health, Board for Licensing Healthcare Facilities (Nursing Home License 394), a copy of which is attached to the application at Attachment C, Orderly Development 7.C.

- (d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

**RESPONSE:** Not applicable.

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

**RESPONSE:** Not applicable.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project

**RESPONSE:** Not applicable.

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

**RESPONSE:** The Applicant will provide the HSDA, and any other state agency when required, with information concerning the number of patients treated, the number and type of procedures performed, and other data as required or requested. The Applicant will also provide all information requested by applicable regulations for licensed nursing homes, including information provided through the yearly Joint Annual Report for Nursing Homes to the Tennessee Department of Health.

### **PROOF OF PUBLICATION**

**Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.**

**RESPONSE:** A copy of the published notice of intent is attached as Attachment C, General Criteria for Certificate of Need – Proof of Publication.

### **DEVELOPMENT SCHEDULE**

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the “good cause” for such an extension.

Form HF0004

Revised 02/01/06

Previous Forms are obsolete

### PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): The Applicant has requested that review of this application be placed on the Consent Agenda. If this request is approved, the projected Initial Decision date will be June 26, 2013. If this request is not approved, then the projected Initial Decision date will be July 24, 2013.

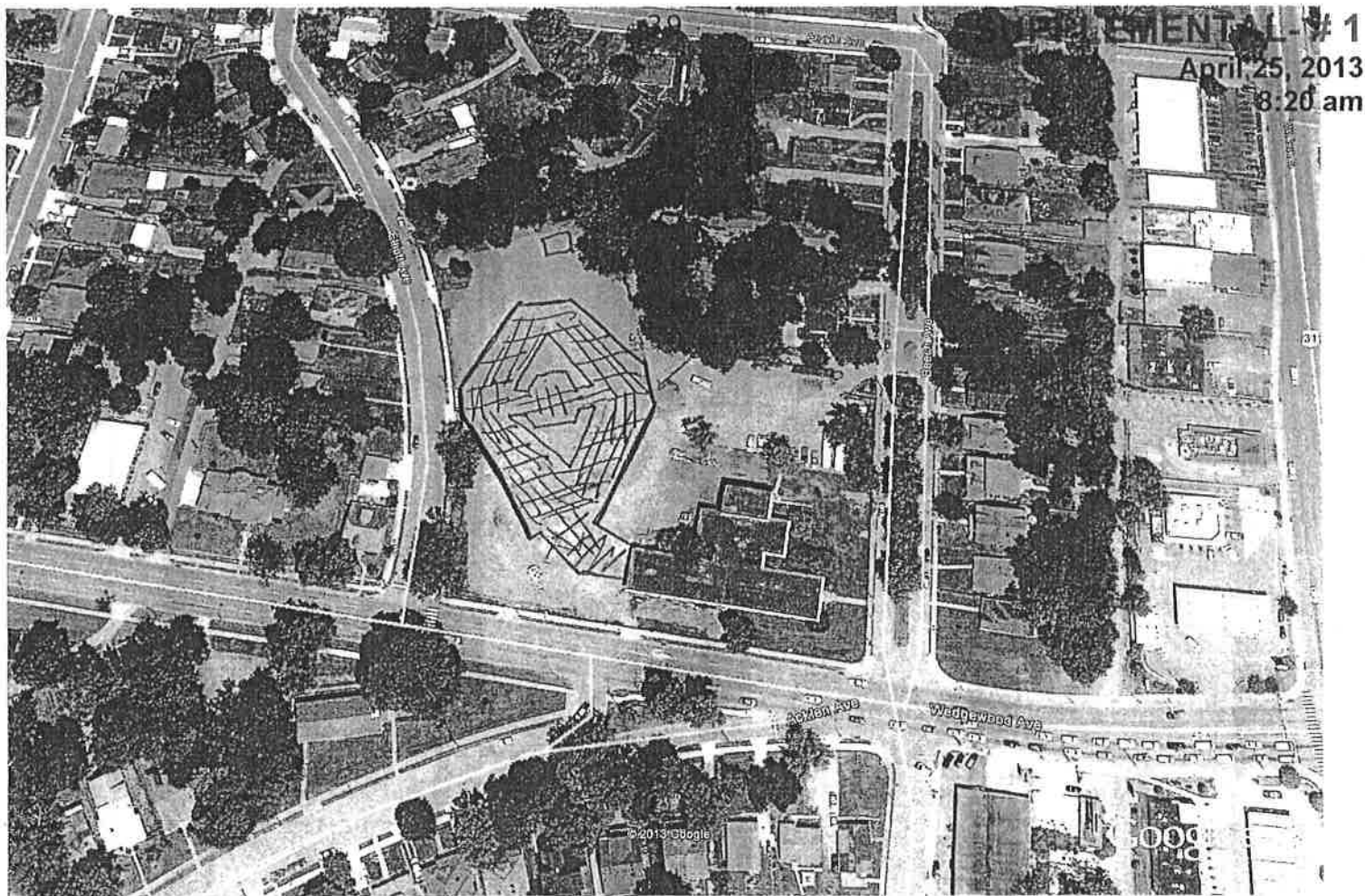
Assuming the CON approval becomes the final agency action on that date, indicate the number of days from the above agency decision date to each phase of the completion forecast.

**RESPONSE:** The Project is complete, and this Application is filed for purposed of seeking approval of the Cost Overrun.

Project Description

Attachment B.III.

Updated Map of Site



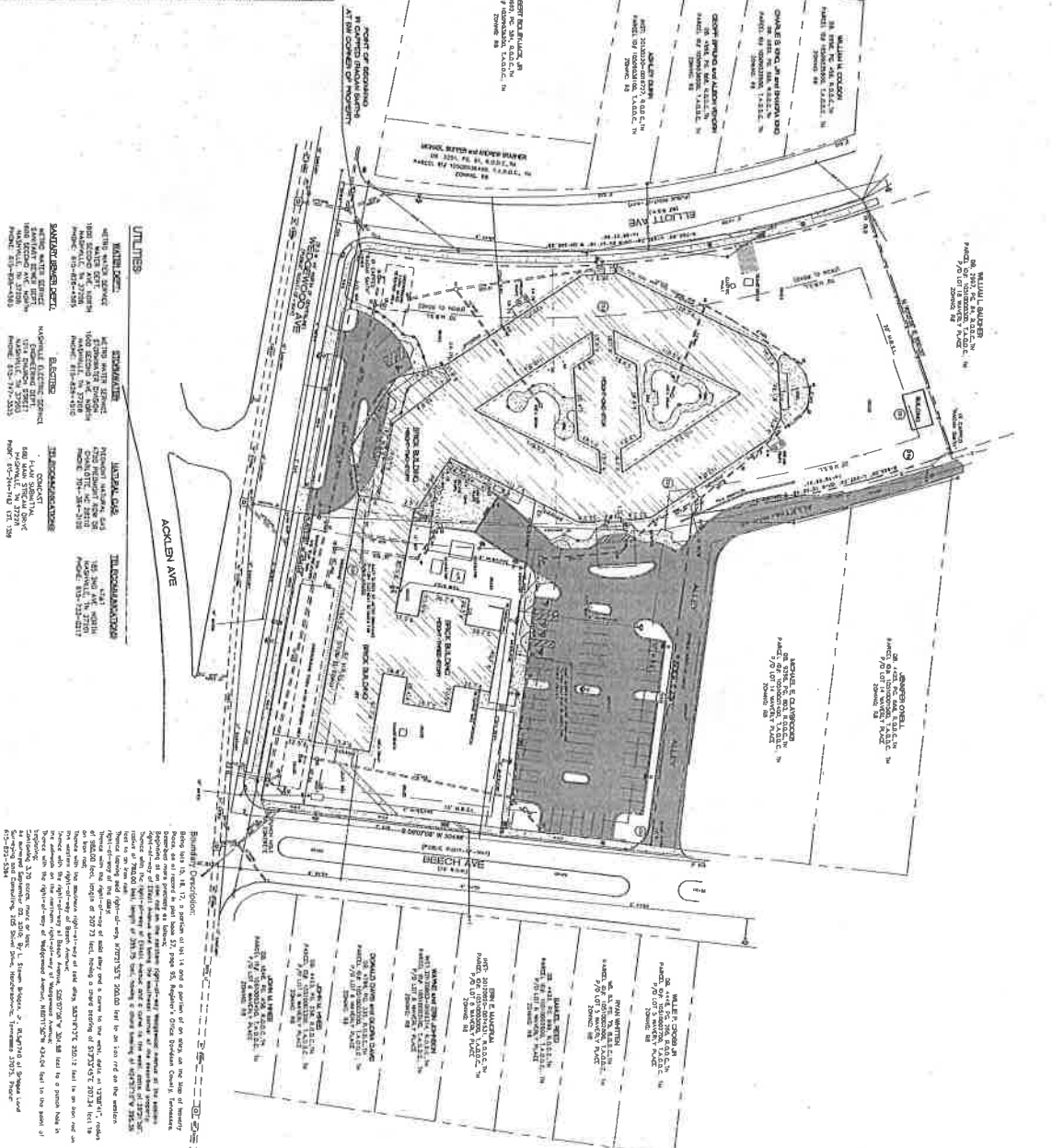
Google earth

feet 700  
meters 200



size of site = 3.7 acres

LEGEND
1. BOUNDARY LINE
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**General Notes:**

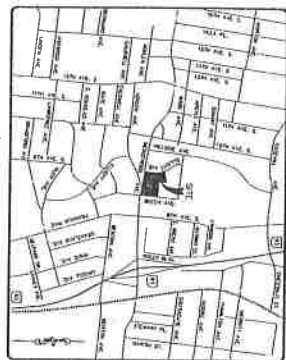
1. This is a survey of the property described in the plat of the Survey of the City of Nashville, Tennessee, dated 10/11/11, and is a portion of the Survey of the City of Nashville, Tennessee, dated 10/11/11.
2. The survey was made by the Surveyor of the City of Nashville, Tennessee, and is a portion of the Survey of the City of Nashville, Tennessee, dated 10/11/11.
3. The survey was made by the Surveyor of the City of Nashville, Tennessee, and is a portion of the Survey of the City of Nashville, Tennessee, dated 10/11/11.
4. The survey was made by the Surveyor of the City of Nashville, Tennessee, and is a portion of the Survey of the City of Nashville, Tennessee, dated 10/11/11.
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9. The survey was made by the Surveyor of the City of Nashville, Tennessee, and is a portion of the Survey of the City of Nashville, Tennessee, dated 10/11/11.
10. The survey was made by the Surveyor of the City of Nashville, Tennessee, and is a portion of the Survey of the City of Nashville, Tennessee, dated 10/11/11.

**Section 8 - SECTION EIGHT:**

Section 8 is a portion of the Survey of the City of Nashville, Tennessee, dated 10/11/11, and is a portion of the Survey of the City of Nashville, Tennessee, dated 10/11/11.

**CERTIFICATION:**

I, L. Steven Bridges, Jr., Surveyor of the City of Nashville, Tennessee, do hereby certify that the foregoing is a true and correct copy of the Survey of the City of Nashville, Tennessee, dated 10/11/11, and is a portion of the Survey of the City of Nashville, Tennessee, dated 10/11/11.



<b>SCALE:</b> 1" = 40' <b>JOB NO.:</b> 4335 <b>SHEET NO.:</b>	<b>DATE:</b> 09/20/2010 <b>CHECKED BY:</b> S.B.W. <b>REVISIONS:</b> ALTA/ACSM 02/20/2013 02/28/2013 COMMENTS 03/25/2013	<b>ALTA/ACSM LAND TITLE SURVEY</b> <b>HCRI Tennessee Properties, LLC</b> 832 Wedgewood Avenue, Nashville 17th Council District, Davidson County, Tennessee 37203	<b>L. STEVEN BRIDGES, JR.</b> LAND SURVEYING AND CONSULTING 285 SHIVEL DRIVE HENDERSONVILLE, TENNESSEE 37055-5515 PHONE: (615) 822-5394 FAX: (615) 826-2386
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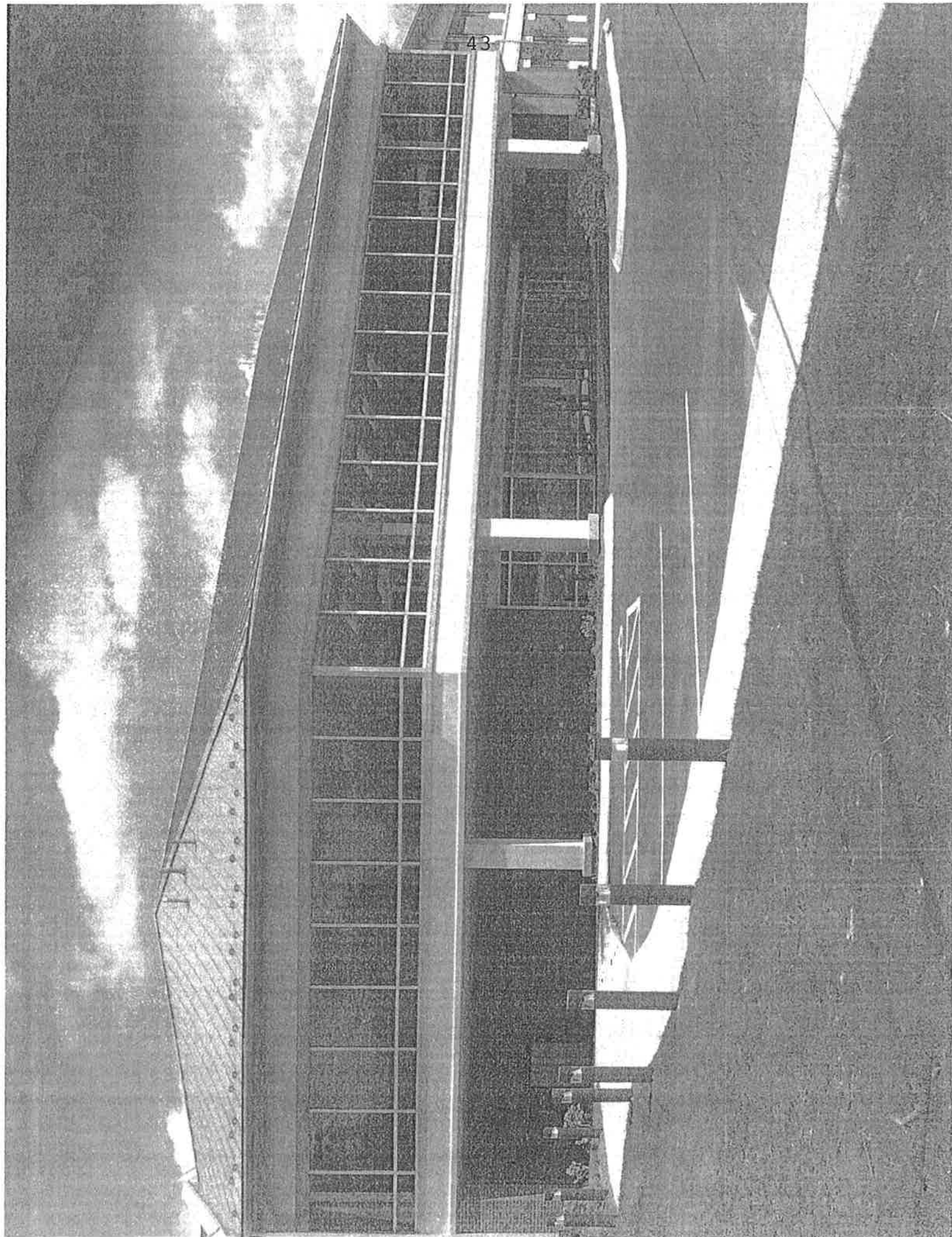


Project Description

Attachment B.IV.

Floor Plan of Facility, Photographs of Completed Facility, and Tennessee  
Department of Health Licensure Survey







State of Tennessee  
Department of Health  
**DIVISION OF HEALTH CARE FACILITIES**  
**WEST TENNESSEE REGIONAL OFFICE**  
2975 Highway 45 Bypass, Suite C  
Jackson, Tennessee 38305  
Telephone: (731) 984-9684  
Fax: (731) 512-0063

January 17, 2013

Mr. Dwight Osteen, Administrator  
LP Nashville II, LLC  
832 Wedgewood Avenue  
Nashville, TN 37203

**RE: Initial Licensure Survey**

Dear Mr. Osteen:

West Tennessee Regional Office of Health Care Facilities conducted an initial licensure survey at your facility on January 16-17, 2013. We are pleased to advise you that no deficiencies were cited on the initial survey. A copy of the survey (form 2567) is enclosed for your records.

If we may be of any assistance to you, please do not hesitate to contact us.

Sincerely,

Jan Priddy, RN  
Public Health Nurse Consultant II

JP/rm

Enclosure

## Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNL1938</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED  <b>01/16/2013</b>
NAME OF PROVIDER OR SUPPLIER  <b>LP NASHVILLE II, LLC</b>			STREET ADDRESS, CITY, STATE, ZIP CODE <b>832 WEDGEWOOD AVENUE NASHVILLE, TN 37203</b>		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE	
N 002	<p>1200-8-6 No Deficiencies</p> <p>This Rule is not met as evidenced by:</p> <p>-</p> <p>-</p> <p>During an initial licensure survey on 1/17/2013, this facility was found to be in compliance with the state licensure regulations.</p>	N 002			

Division of Health Care Facilities

TITLE

(X6) DATE

RATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

STATE FORM

6899

DI9Z11

If continuation sheet 1 of 1

## Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  TNL1938	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - EXISTING BUILDING B. WING _____	(X3) DATE SURVEY COMPLETED  01/16/2013
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NAME OF PROVIDER OR SUPPLIER

STREET ADDRESS, CITY, STATE, ZIP CODE

LP NASHVILLE II, LLC

832 WEDGEWOOD AVENUE  
NASHVILLE, TN 37203

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
N 002	<p>1200-8-6 No Deficiencies</p> <p>This Rule is not met as evidenced by:</p> <p>-</p> <p>-</p> <p>Based on observations, testing, and records review on 1/15/13, it was determined the facility had no life safety deficiencies.</p>	N 002		

Division of Health Care Facilities

TITLE

(X6) DATE

ABSTRACTORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

FORM

6599

DI9Z21

If continuation sheet 1 of 1

## Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  TNL1938		(X2) MULTIPLE CONSTRUCTION A. BUILDING 02 - NEW BUILDING B. WING _____		(X3) DATE SURVEY COMPLETED  01/16/2013	
NAME OF PROVIDER OR SUPPLIER  LP NASHVILLE II, LLC				STREET ADDRESS, CITY, STATE, ZIP CODE 832 WEDGEWOOD AVENUE NASHVILLE, TN 37203			
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)			ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)		(X5) COMPLETE DATE
N 002	1200-8-6 No Deficiencies  This Rule is not met as evidenced by:  Based on observations, testing, and records review on 1/15/13, it was determined the facility had no life safety deficiencies.			N 002			

Division of Health Care Facilities

TITLE

(X6) DATE

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

STATE FORM

6899

DI9Z21

If continuation sheet 1 of 1

Attachment C: General Criteria for Certificate of Need

Economic Feasibility – Question 1.1

Project Costs Chart



Attachment C – II – 1, General Criteria for Certificate  
of Need Section**PROJECT COSTS CHART****A. Construction and equipment acquired by purchase:**

1.	Architectural and Engineering Fees	\$	850,555.00
2.	Legal, Administrative (Excluding CON Filing Fee)	\$	175,000.00
3.	Acquisition of Site	\$	3,545,200.00
4.	Preparation of Site	\$	110,000.00
5.	Construction Costs (Renovation)	\$	5,341,965.00
6.	Contingency Fund	\$	470,005.82
7.	Fixed Equipment (Not included in Construction Contract)	\$	1,500,000.00
8.	Moveable Equipment (List all equipment over \$50,000)	\$	-
9.	Other (Specify) third parties + taxes + HUD + Permits & Fees + Project	\$	307,741.00

**B. Acquisition by gift, donation, or lease:**

1.	Facility (inclusive of building and land)	\$	-
2.	Building only	\$	-
3.	Land only	\$	-
4.	Equipment (Specify) _____	\$	-
5.	Other (Specify) - Existing Debt	\$	-

**C. Financing Costs and Fees:**

1.	Interim Financing	\$	869,755.00
2.	Underwriting Costs	\$	160,525.00
3.	Reserve for One Year's Debt Service		
4.	Other (Specify) _____	\$	-

**D. Estimated Project Cost  
(A+B+C)**

\$ 13,330,746.82

**E. CON Filing Fee (\$2.25 per \$1,000 of cost)**

\$ 29,994.18

**F. Total Estimated Project Cost (D+E)**

\$ 13,360,741.00

**TOTAL \$ 13,360,741.00**

50  
PROJECT COSTS CHART

2013 APR 15 PM 2:33

A. Construction and equipment acquired by purchase:	
1. Architectural and Engineering Fees	472,763
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	223,876
3. Acquisition of Site	3,563,258
4. Preparation of Site	1,064,993
5. Construction Costs	9,033,154
6. Contingency Fund	0
7. Fixed Equipment (Not included in Construction Contract)	429,160
8. Moveable Equipment (List all equipment over \$50,000)	647,394
9. Other (Specify) 3rd parties, taxes, permits, HUD	182,417
B. Acquisition by gift, donation, or lease:	
1. Facility (inclusive of building and land)	N/A
2. Building only	N/A
3. Land only	N/A
4. Equipment (Specify) N/A	N/A
5. Other (Specify) N/A	N/A
C. Financing Costs and Fees:	
1. Interim Financing	1,078,364
2. Underwriting Costs	256,979
3. Reserve for One Year's Debt Service	0
4. Other (Specify) Development Fee	378,950
D. Estimated Project Cost (A+B+C)	17,331,307
E. CON Filing Fee	38,995**
F. Total Estimated Project Cost (D+E)	17,370,303
<b>TOTAL</b>	
	\$17,370,303.00

\*\* Please note that \$29,972.50 of the CON Filing Fee was paid with the original CON application. The remainder of the CON Filing Fee, \$9,022.50, is being paid with this CON application.

51  
PROJECT COSTS CHART

**SUPPLEMENTAL- # 2**

April 30, 2013

9:20 am

A. Construction and equipment acquired by purchase:

1. Architectural and Engineering Fees	(\$377,792)
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$48,876
3. Acquisition of Site	\$18,058
4. Preparation of Site	\$954,993
5. Construction Costs	\$3,691,189
6. Contingency Fund	(\$470,006)
7. Fixed Equipment (Not included in Construction Contract)	(\$1,070,840)
8. Moveable Equipment (List all equipment over \$50,000)	\$647,394
9. Other (Specify) 3rd parties, taxes, permits, HUD	(\$125,324)

B. Acquisition by gift, donation, or lease:

1. Facility (inclusive of building and land)	N/A
2. Building only	
3. Land only	
4. Equipment (Specify)	
5. Other (Specify)	N/A

C. Financing Costs and Fees:

1. Interim Financing	\$208,609
2. Underwriting Costs	\$96,454
3. Reserve for One Year's Debt Service	
4. Other (Specify) Development Fee	\$378,950

D. Estimated Project Cost  
(A+B+C)

\$4,000,561

E. CON Filing Fee

\$9,001

F. Total Estimated Project Cost  
(D+E)

\$4,009,562

**TOTAL** \$4,009,562

Attachment C: General Criteria for Certificate of Need

Economic Feasibility – Question 2

Letter from Chief Financial Officer



**SIGNATURE HEALTHCARE, LLC**  
12201 Bluegrass Parkway  
Louisville, KY 40299  
Ph: 502.568. 7800 Fx: 502.568.7142  
sedams@signaturehealthcarellc.com

April 12, 2013

Melanie Hill, Director  
Tennessee Health Services & Development Agency  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37243

Dear Ms. Hill:

I am writing on behalf of LP Nashville II, LLC (the "Applicant") with respect to CN1009-044A, which was approved for the combined replacement of the Lakeshore-Wedgewood and River Park nursing homes with an estimated project cost of \$13,360,741.00. When the Applicant determined that the actual cost of the project would be approximately \$4,010,000.00 in excess of the estimated cost, the Applicant arranged with Health Care REIT, Inc. to increase the amount of its maximum contingent payment amount on its loan under the master lease from \$13,900,000 to \$15,300,000. The additional excess costs were paid for by the Applicant from its cash reserves.

Please do not hesitate to contact me directly at (502) 568-7800 if you have any questions.

Very truly yours,

By: 

John Harrison, Chief Financial Officer

Attachment C: General Criteria for Certificate of Need

Economic Feasibility – Question 3

Comparison to Recently Approved Certificates of Need

Project	Action	Date	Beds	Description	Total Cost	Cost/Bed	County	No.
LP Nashville II (Applicant)	Approved	12/15/2010	119	Replacement 119 bed nursing home at 832 Wedgewood Ave., Nosh. 37203 combined replacement of 61 beds Lakeshore (832 Wedgewood) and relocation of 58 bed River Park Health Care from 1306 Katie Ave, Nash 37207, Nashville 37221.	\$17,370,303.00	\$145,968.93	Davidson	CN1009-044A
Chattanooga Medical Investors Limited Partnership d/b/a Life Care Center of Ooltewah	Approved	7/27/2011	120	The relocation and replacement of a nursing home from 455 North Highland Park Ave., Chattanooga 37404 to yet assigned address located on the northeast corner of Mountain View Road and Snow Hill Road, Ooltewah 37363. The licensed beds will decrease from 153 to 120.	\$20,990,000.00	\$174,916.67	Hamilton	CN1103-009
Life Care Center of Rhea County	Approved	4/27/2011	89	The relocation and replacement of an 89 bed nursing home located at 7824 Rhea Co. Hwy, Dayton to an unaddressed site between 9961 & 10529 Rhea Co. Hwy., Dayton, TN. No additional beds, nor new services will be initiated nor discontinued.	\$15,833,791.00	\$189,143.72	Rhea	CN1101-004
West Tennessee Transitional Care	Approved	1/26/2011	67	Change of site for the construction of a licensed 67 skilled nursing home bed replacement facility (as approved by CN0905-023A), from 670 Skyline Drive to 617 West Forest Avenue, Jackson (Madison County), TN.	\$10,814,999.00	\$161,417.90	Madison	CN1010-048
Highland Park Medical Investors, LLC dba Life Care Center of Stones River	Approved	9/23/2009	124	Relocation of previously approved CN0706047A and replacement nursing home containing 124 beds from 5710 Knob Rd. to unaddressed site on Murfreesboro Rd., Antioch. Number of licensed beds will not change.	\$18,953,630.00	\$152,851.85	Davidson	CN0203-021
Nashville Medical Investors, LLC d/b/a Life Care Center of Old Hickory	Approved	9/23/2009	159	Relocation and replacement of 159 bed nursing home (Life Care Center of Nashville) previously located at 701 Porter Road, Nashville (37206) to 1250 Robinson Road, Old Hickory (37138). Licensed beds will not change and will be certified for Medicare/Medicaid.	\$21,735,446.00	\$136,700.92	Davidson	CN0906-030
Clarksville Manor Nursing Center	Approved	3/25/2009	113	Replacement of CN0608-066A for the relocation from 2134 Old Ashland City Rd to 900 Professional Park Drive; replacement; and the addition of 30 SNF beds for a total of 1113 dually certified beds.	\$14,166,042.00	\$125,363.20	Montgomery	CN0812-120
NHC Place at Hendersonville	Approved	11/19/2008	62	The replacement and relocation of the existing thirty-two (32) licensed bed Hendersonville Nursing and the addition of thirty (30) new Medicare certified nursing home beds for a total of sixty-two (62) nursing home beds.	\$13,426,341.00	\$216,553.89	Sumner	CN0808-057
NHC Healthcare, Tullahoma	Approved	10/22/2008	53	The replacement and relocation of the existing licensed 53 bed Nursing Home and the addition of 7 new Medicare SNF beds for a total of 60 beds. The project will be part of a continuum of care program which will offer in addition assisted living units.	\$10,932,543.00	\$182,209.05	Coffee	CN0807-050
Life Care Center of Missionary Ridge	Approved	9/24/2008	108	The replacement and relocation of a 78-bed nursing home from 708 Dwight Avenue to 5501 Old Hixson Pike, Chattanooga. The addition of 30 beds, increasing the beds from 78 to 108. De-certify 30 beds from Life Care Center of East Ridge.	\$17,469,745.00	\$161,756.89	Hamilton	CN0806-038A

Attachment C: General Criteria for Certificate of Need

Economic Feasibility – Question 4

Updated Projected Data Chart



## PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in February (Month).

	<u>2/1/13 to</u> <u>1/31/14</u>	<u>2/1/14 to</u> <u>1/31/15</u>
A. Utilization Data (Specify unit of measure)	14,152 Patient Days	31,905 Patient Days
B. Revenue from Services to Patients		
1. Inpatient Services	\$4,118,295	\$10,752,576
2. Outpatient Services	129,249	376,624
3. Emergency Services	-	-
4. Other Operating Revenue (Specify) _____	6,997	32,862
<b>Gross Operating Revenue</b>	<b>\$4,254,541</b>	<b>\$11,162,062</b>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	-	-
2. Provision for Charity Care	-	-
3. Provisions for Bad Debt	(63,337)	(440,634)
<b>Total Deductions</b>	<b>(\$63,337)</b>	<b>(\$440,634)</b>
<b>NET OPERATING REVENUE</b>	<b>\$4,191,203</b>	<b>\$10,721,428</b>
D. Operating Expenses		
1. Salaries and Wages	\$2,296,788	\$4,838,847
2. Physician's Salaries and Wages	-	-
3. Supplies	220,510	853,651
4. Taxes	28,968	28,968
5. Depreciation	-	-
6. Rent	1,484,974	1,530,000
7. Interest, other than Capital	54,045	54,045

8. Management Fees:		
a. Fees to Affiliates	212,727	524,617
b. Fees to Non-Affiliates	-	-
9. Other Expenses -- (Specify) <u>General and Administrative Services Purchased from Affiliates</u>	633,749	1,780,960
<b>Total Operating Expenses</b>	<b>\$4,931,761</b>	<b>\$9,611,088</b>
E. Other Revenue (Expenses) -- Net (Specify) _____	-	-
<b>NET OPERATING INCOME (LOSS)</b>	<b>(\$740,558)</b>	<b>\$1,110,340</b>
F. Capital Expenditures		
1. Retirement of Principal	-	-
2. Interest	-	-
<b>Total Capital Expenditures</b>	-	-
<b>NET OPERATING INCOME (LOSS)</b>		
<b>LESS CAPITAL EXPENDITURES</b>	<b><u>(\$740,558)</u></b>	<b><u>\$1,110,340</u></b>

# PROJECTED DATA CHART

Give information for the two (2) years following the completion of this project. The fiscal year begins in February (Month).

2013 APR 15 PM 2 33

		2/1/2013 to 1/31/2014	2/1/2014 to 1/31/2015
<b>A. Utilization Data (Specify Unit of measure)</b>		<b>Patient Days</b>	<b>Patient Days</b>
<b>B. Revenue from Services to Patients</b>			
1. Inpatient Services		4,118,295	10,752,576
2. Outpatient Services		129,249	376,624
3. Emergency Services		-	-
4. Other Operating Revenue (Specify - _____)		6,997	32,862
<b>Gross Operating Revenue</b>		<b>4,254,541</b>	<b>11,162,062</b>
<b>C. Deductions from Gross Operating Revenue</b>			
1. Contractual Adjustments		-	-
2. Provisions for Charity Care		-	-
3. Provisions for Bad Debt		(63,337)	(440,634)
<b>Total Deductions</b>		<b>(63,337)</b>	<b>(440,634)</b>
<b>NET OPERATING REVENUE</b>		<b>4,191,203</b>	<b>10,721,428</b>
<b>D. Operating Expenses</b>			
1. Salaries and Wages		2,296,788	4,838,847
2. Physician's Salaries and Wages		-	-
3. Supplies		220,510	853,651
4. Taxes		28,968	28,968
5. Depreciation		-	-
6. Rent		1,484,974	1,530,000
7. Interest, Other than Capital		54,045	54,045
8. Other Expenses (Specify) <i>management fees, purchased administrative services</i>		846,476	2,305,577
<b>Total Operating Expenses</b>		<b>4,931,761</b>	<b>9,611,088</b>
<b>E. Other Revenue (Expenses) --- Net (Specify) _____</b>		-	-
<b>NET OPERATING INCOME (LOSS)</b>		<b>(740,558)</b>	<b>1,110,340</b>
<b>F. Capital Expenditures</b>			
1. Retirement of Principal		-	-
2. Interest		-	-
<b>Total Capital Expenditures</b>		-	-
<b>NET OPERATING INCOME (LOSS) LESS CAPITAL EXPEDITURES</b>		<b>(740,558)</b>	<b>1,110,340</b>

Attachment C: General Criteria for Certificate of Need

Economic Feasibility – Question 5

Updated Chart of Average Gross Charge

**Average Gross Charges**

Skilled Private	Skilled Semi	ICF Private	ICF Semi	ICF semi to PVT
400	275	250	225	325

Attachment C: General Criteria for Certificate of Need

Contribution to the Orderly Development of Health Care – Question 1

Contractual and/or Working Relationships

Material Contracts – LP Nashville II, LLC

Contract Type	Provider/Vendor	Effective Date	Term Date	Description
Advertising/Marketing Agreement	On Hold Marketing Services, Inc.	12/01/2012	11/30/2013	Full-service messaging services (i.e., scripting, marketing and recording services) for callers who are placed on hold at the facility.
Ambulance/Transportation Agreement	MedicOne Medical Response	01/01/13	12/31/2013	Non-medical transportation services for residents.
Alarm Testing/Monitoring	Century Fire Protection Services	12/01/2012	Perpetual	Quarterly inspections of the facility's fire system and on-going monitoring of facility's fire system.
Cable/Satellite TV Services	Sat Star Communications	10/19/2012	10/18/2017	DirectTV television services and equipment
Bio-Medical Waste Agreement	Heritage Environmental Services (GLOBAL)	06/01/2012	05/31/2015	Global Agreement between Heritage Environmental and Signature Consulting Services to provide bio-medical waste removal for all SCS operated facilities. Nashville II added to Global.
Dental Services Agreement	OneCare Dental Solutions, LLC	01/01/2013	12/31/2013	On-site dental services for facility residents including dental cleanings, denture cleanings, fittings, etc.
Dialysis Services Agreement	Fresenius Medical Care Vanderbilt	01/01/2013	12/31/2013	Outpatient dialysis services for resident.
Disaster Evacuation Agreement	LP Columbia, LLC d/b/a Signature HealthCARE of Columbia	01/01/2013	12/31/2013	Reciprocal Transfer Agreement in the event residents need to be evacuated to another facility for emergency purposes.
Disaster Evacuation Agreement	LP Nashville, LLC d/b/a Donelson Place Care and Rehabilitation Center	01/01/2013	12/31/2013	Reciprocal Transfer Agreement in the event residents need to be evacuated to another facility for emergency purposes.
Disaster Evacuation Agreement	LP Pigeon Forge, LLC d/b/a Pigeon Forge Care and Rehabilitation Center	01/01/2013	12/31/2013	Reciprocal Transfer Agreement in the event residents need to be evacuated to another facility for emergency purposes.
Dietary Consultant Agreement	SupremeCare, Inc	01/01/2013	12/31/2013	Dietary consulting services including menu planning and nutrition assistance for facility residents.
Food/Beverage	Sysco Corporation (GLOBAL)	12/01/2013	11/30/2016	Global Agreement between Sysco Corporation and Signature Consulting Services to provide food/beverage distribution services for all SCS operated facilities. Nashville II added to Global.
Food/Beverage	CLR Roasters (GLOBAL)	12/01/2012	11/30/2014	Global Agreement between CLR Roasters and Signature Consulting Services to provide roasted coffee for all SCS operated facilities Nashville II added to Global.
Food/Beverage	Juice Tyme (GLOBAL)	01/01/2013	12/31/2015	Global Agreement between Juice Tyme and Signature Consulting Services to provide certain juices and beverages for all SCS operated facilities. Nashville II added to Global.
Hospice Services Agreement	TNMO Healthcare d/b/a Avalon Hospice	01/01/2013	12/31/2013	Hospice services for facility residents require respite or general inpatient care.
Hospice Services Agreement	AseraCare Hospice	01/01/2013	12/31/2013	Hospice services for facility residents require respite or general inpatient care.
Laboratory Services Agreement	American Health Associates, Inc.	12/01/2012	11/30/2013	Laboratory services including lab testing and results.
Management/Consulting Agreement	Signature Consulting Services, LLC	01/01/2013	Perpetual	Management and supervision of facility operations including financial, legal, risk management, etc.

Material Contracts – LP Nashville II, LLC

Contract Type	Provider/Vendor	Effective Date	Term Date	Description
Management/Consulting Agreement	Signature Clinical Consulting, LLC	01/01/2013	Perpetual	Management of facility's clinical operations (nursing, regulatory compliance, quality assurance, etc).
Management/Employee Services Agreement	Signature Payroll Services, LLC	01/01/2013	Perpetual	Management of supervision of payroll including payroll processing, employee benefits, assignment of employees to worksite, etc.
Management/Therapy Services Agreement	Signature Rehab Services, LLC	01/01/2013	Perpetual	Therapy services (speech, occupational, and physical therapy).
Medical Director Agreement	Bradley Bullock, MD	01/11/2013	01/10/2014	Medical Director administrative services.
Medical Supply/Rental Agreement	RecoverCare, LLC	01/01/2013	01/01/2015	Four (4 ) separate agreements for rental of medical equipment (Bariatric, Bed. Oxygen, and NPWT).
Medical Supply Agreement	Twin Med, LLC (GLOBAL)	07/01/2011	06/30/2014	Global Agreement between Twin Med and Signature Consulting Services to provide medical supplies for all SCS operated facilities. Nashville II added to Global.
Optometry Services Agreement	Eye America, LLC	01/16/2013	01/15/2014	Optometry services for facility residents including vision examination, glasses, and contacts.
Pest Control Services Agreement	Bio-Tech, Inc. (GLOBAL)	01/01/2013	Perpetual	Global Agreement between Bio-Tech and Signature Consulting Services to provide pest control services for all SCS operated facilities in KY, TN and MD. Nashville II added to Global.
Pharmacy Services Agreement	PharMerica Corporation (GLOBAL)	12/01/2012	12/31/2015	Global Agreement between PharMerica and Signature Consulting Services to provide pharmacy services for all SCS operated facilities. Nashville II added to Global.
Podiatry Services Agreement	Eye America, LLC (Foot Care Vision)	01/16/2013	01/15/2014	Podiatry services for facility residents.
Services Agreement	Waste Management (GLOBAL)	01/01/2012	12/31/2014	Global Agreement between Waste Management Services and Signature Consulting Services to provide waste/trash removal for all SCS operated facilities. Nashville II added to Global.
Radiology/X-Ray Services	Quality Mobile X-Ray Services	01/01/2013	12/31/2013	Mobile radiology and x-ray services (ultrasound) for facility residents.
Referral Agreement	Allscripts (GLOBAL)	03/01/2012	02/28/2015	Global Agreement between Allscripts and Signature Consulting Services to provide an e-referral management system for all SCS operated facilities. Nashville II added to Global.



Attachment C: General Criteria for Certificate of Need

Contribution to the Orderly Development of Health Care – Question 3

Updated List of Employee Positions and Pay Rates

### List of Employee Positions and Pay Rates

Employee Position	Pay Rate	Commentary
Director of Nursing	\$46.00	The Nashville market is extremely competitive with respect to wages and salaries for executive level nurses. In order to fill this position, a higher wage is necessary.
MDS Coordinator	\$31.50	The Applicant recruited a lead MDS coordinator, which required a higher salary base. The MDS coordinator position is highly specialized and the overall management of the MDS process requires an applicant with a sufficient amount of experience. The job market for MDS coordinator job market is highly competitive for talented individuals with experience.
RN	\$29.00	Initial start up staff was hired at a slightly higher pay rate to ensure stability. The overall average pay rate will decrease over the next six to eight months with the hiring of additional staff.
LPN	\$26.00	Initial start up staff was hired at a slightly higher pay rate to ensure stability. The overall average pay rate will decrease over the next six to eight months with the hiring of additional staff.
Dietary Director	\$31.25	The background, education and culinary skills of the best-suited candidate for the Dietary Director position far exceeded the upper limit of the salary range for a standard dietary director. The return on investment that the Applicant will realize by deciding to hire this particular candidate will be realized in terms of customer satisfaction and lower raw food costs.
Activities Director	\$18.50	The candidate hired to be the Activities Director has a wealth of experience and trademarked programs, thus necessitating a slightly higher pay rate.
Admissions Director	\$23.07	The candidate hired to be the Admissions Director was recruited from a competitor facility. The candidate has the experience needed for the volume of admissions the Applicant anticipates experiencing.

Attachment C: General Criteria for Certificate of Need

Proof of Publication

[illegible][illegible]


...NG AVAILABLE

**AM**  
at Hickory Road,  
Left to right

on the main floor  
rooms, full bath,  
in, dining room,  
deck with stairs to  
led, with Master  
den, deck and  
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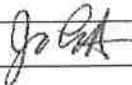
Affidavit

AFFIDAVITSTATE OF KENTUCKY

2013 APR 15 PM 2 34

COUNTY OF JEFFERSONJohn Harrison

being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

  
SIGNATURE/TITLE

Sworn to and subscribed before me this 15<sup>th</sup> day of April 2013 a Notary  
(Month) (Year)

Public in and for the County/State of JEFFERSON

  
NOTARY PUBLIC

My commission expires

August 23 2014  
(Month/Day) (Year)

RAFAEL RAMOS  
Notary Public-State at Large  
KENTUCKY - Notary ID # 426505  
My Commission Expires August 23, 2014

# **COPY- SUPPLEMENTAL-1**

Signature Healthcare/LP Nashville

**CN1304-012**

## SUPPLEMENTAL



Michael D. Brent  
Direct: 615.252.2361  
Fax: 615.252.6361  
mbrent@babbc.com

2013 APR 25 AM 8:31

April 25, 2013

VIA hand delivery

Mr. Phillip M. Earhart  
Health Services Development Examiner  
Tennessee Health Services & Development Agency  
161 Rosa Parks Boulevard  
Nashville, Tennessee 37203

Re: LP Nashville II, LLC (CN1304-012) – First Supplemental Response

Dear Phillip:

Please allow this letter to serve as a response to your letter of April 18, 2013, requesting supplemental information for the above-listed certificate of need application. This letter and the corresponding attachments have been reviewed by an officer of the Applicant, and an appropriate affidavit is attached.

**1. Section A, Applicant Profile, Item 5**

Please attach a copy of the management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule.

**RESPONSE:** Please find a copy of the Management Agreements attached at Supplemental Response 1 – Section A, Applicant Profile, Item 5: Management Agreement.

**2. Section A, Applicant Profile, Item 6**

Please provide a copy of the Real Estate Purchase Agreement between Lakeshore Estate Incorporated and Signature Healthcare, LLC.

**RESPONSE:** Please find a copy of the Real Estate Purchase Agreement between Lakeshore Estate Incorporated and Signature Healthcare, LLC attached at Supplemental Response 1 – Section, Applicant Profile, Item 6: Real Estate Purchase Agreement. Please note that this is the same document that was submitted in the First Supplemental Response to CN1009-044A.

**3. Section A, Applicant Profile, Item 8**

7/31/7792.1



April 25, 2013

Page 2

The applicant referenced CN1009-004A rather than 1009-044A. Please revise and submit a replacement page.

**RESPONSE:** A replacement page correcting this scrivener's error is attached at Supplemental Response 1, Section A, Applicant Profile, Item 8: Replacement Page.

**4. Section A, Applicant Profile, Item 9**

Please provide a total for licensed, staffed and proposed beds on the bed complement data chart and resubmit.

**RESPONSE:** Please find a replacement page with a revised Bed Complement Data Chart attached at Supplemental Response 1 – Section A, Applicant Profile, Item 9: Bed Complement Data Chart, which provides a total for licensed, staffed and proposed beds.

**5. Section A, Applicant Profile, Item 10**

The applicant has identified AmeriChoice (River Valley Plan) and Blue Cross Blue Shield of Tennessee (Volunteer State Health Plan) as operating in the proposed service area. The TennCare managed care organizations that are contracted with TennCare to operate in the proposed service area are AmeriChoice, AmeriGroup and TennCare Select. Please revise your response.

**RESPONSE:** The Applicant will contract with AmeriChoice, AmeriGroup and TennCare Select, all of which are contracted with TennCare to operate in the proposed service area.

**6. Section B, Project Description, Item I.**

The applicant states “except for the addition of the new facility under CN1009-044A, and the other three (3) facilities, this information has not changed since the filing and granting of CN1009-044A” on the bottom of page 9 and top of page 10. Please identify the referenced three (3) facilities and clarify this statement.

**RESPONSE:** As stated in CN1009-044A, SHC owns and operates skilled nursing facilities in multiple states. At the time of the filing of CN1009-044A, SHC owned twenty-two (22) locations in Tennessee. The number of facilities owned by SHC in Tennessee has since increased to twenty-six (26) facilities, which number includes the Applicant's facility. In addition to the Applicant's facility, the three (3) new facilities owned by SHC in Tennessee are The Bridge at Highland located at 215 Highland Circle Drive in Portland, Tennessee, Signature HealthCARE at St. Peter Villa located at 141 North McLean Boulevard in Memphis, Tennessee, and Signature HealthCARE at

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Page 3

Methodist located within Methodist Hospital at 1265 Union Avenue in Memphis, Tennessee.

**7. Section B, Project Description, Item II.A.**

Please provide the Square Footage and Cost per Square Footage Chart and a description of facility design.

**RESPONSE:** The square footage of the Applicant's facility is 72,943 square feet. Through the approval of CN1009-044A, the Applicant was able to replace two existing nursing homes – River Park Health Care Facility (formerly fifty-eight (58) beds) and Lakeshore-Wedgewood Facility (formerly sixty-one (61) beds) with a single, larger, combined replacement facility. The resulting new facility is modernized and state of the art. The new facility includes a number of attractive amenities, including a therapy gym with modern rehabilitation services space, a large enclosed outdoor courtyard for the use and enjoyment of residents, families, and staff members and rooms with modern finishing, including wood (VCP) flooring, fully furnished electric beds and flat screen TVs. The facility also includes high-end dining facilities, coffee bars, and Internet cafes. The facility includes fifty-five (55) private, single occupancy rooms and thirty-two (32) double occupancy rooms with sixty-four (64) beds. From an aerial view, the primary portion of the facility resembles the shape of a diamond, with an attached wing to the southeast of the primary portion of the facility.

Please find a Cost Per Square Footage Chart attached at Supplemental Response 1 – Section B, Item II.A.: Cost Per Square Footage Chart.

**8. Section B, Project Description, Item III.A. Plot Plan**

The font of the provided plot plan is too small to read. Please provide a legible plot plan that includes the size of the site (in acres), location of the structure on the site, the location of the proposed construction, and the names of streets, roads, highways that cross or border the site.

**RESPONSE:** Please find a revised plot plan attached at Supplemental Response 1 – Section B, Project Description, Item III.A.: Plot Plan. The size of the site, as listed on the attachment, is approximately 3.7 acres.

**9. Section C, Need Item 1**

Please discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan.

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Page 4

**RESPONSE:** The Applicant's response with respect to the Five Principles for Achieving Better Health is as follows:

- *Principle 1: The purpose of the State Health Plan is to improve the health of Tennesseans:*

While this principle focuses mainly on the goals and strategies that support health policies and programs at the individual, community and state level that will help improve the health status of Tennesseans, this project is consistent in that it supports a continuum of care model where following an acute care stay, patients will be able to receive intensive skilled nursing care and rehabilitative services at a stepped-down cost from an acute care setting. The ultimate goal for all patients admitted to the Applicant's facility is to return home to the least-restrictive and least-costly option available where the individual can live the healthiest life possible.

- *Principle 2: Every citizen should have reasonable access to health care:*

The Applicant's healthcare model targets patients that are Medicare qualified beneficiaries seeking skilled nursing and rehabilitation services following a prior hospital stay. The majority of all patients placed in nursing homes from the acute care setting are Medicare beneficiaries. Since Medicare is a federal insurance program covering individuals age 65 and older, as well as disabled individuals below this threshold age, access to long term care Medicare beds is a function of bed availability in the market. The Applicant's original application, CN1009-044A, was approved, thus showing that there was a need for additional access to long term health care options in the Davidson County service area.

- *Principle 3: The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies, and the continued development of the state's health care system:*

The Applicant's project speaks to the very heart of this principle at several levels. By assuring that the appropriate level of care and health care beds are available, when needed, the state's health care system will be able to keep cost to their lowest level possible by making sure patients utilize services at the lowest level of care possible.

- *Principle 4: Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers:*

April 25, 2013

Page 5

The Applicant's facility is a long term care provider that is surveyed both at the State and Federal levels. Through various sources, including the Medicare.gov website and the Nursing Home Compare data sets, consumers can now compare and research long term care providers, home care providers and acute care providers. The Applicant compares favorably both at the state and national level on these measurements. The Applicant is dedicated to providing quality care to its service area.

- *Principle 5: The state should support the development, recruitment, and retention of a sufficient and quality health care workforce:*

The Applicant, as evidenced by the commentary at Attachment C: General Criteria for Certificate of Need – Contribution to the Orderly Development of Health Care – Question 3 in CN1304-012, is extremely dedicated to the fifth principle of the State Health Plan. The Applicant was judicious in its hiring of a director of nursing, MDS coordinator, RNs, LPNs, dietary director, activities director and admissions director for the facility. All of these employees have excellent credentials and will provide quality and dedicated service to patients.

#### 10. Section C, Need, Item 1. (Service Specific Criteria)

The applicant refers to Question 1.a. in CN1009-044A for a complete nursing home bed certificate of need analysis. The need has already been established for this application. Please submit a replacement page with a response of N/A.

**RESPONSE:** Please see the replacement page attached at Supplemental Response 1 – Section C, Need, Item 1. (Service Specific Criteria): Replacement Page.

#### 11. Section C, Need, Item II

Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).** By referencing attachments found in application CN1009-044A is not an adequate response.

**RESPONSE:** Please find a map of the service area attached at Supplemental Response 1 – Section C, Need, Item II: Map of Service Area. As stated in CN1009-044A, the service area is Davidson County and the Nashville Metropolitan area. The service area is consistent with the definition of "service area" in the Agency's Guidelines for Growth, which defines the service area as a county or counties where the majority of the service population is within a thirty (30) minute drive of the facility.

#### 12. Section C. Economic Feasibility Item 1 (Project Cost Chart)

April 25, 2013

Page 6

Please submit a copy of the referenced Final Project Report for CN1009-044A.

Please provide a Project Costs Chart for the \$4,009,562 Project Cost Overrun.

Please provide documentation from a Contractor and/or architect that support the estimated construction costs associated with the \$4,009,052 Cost Overrun.

**RESPONSE:** Attached at Supplemental Response 1 – Section C, Economic Feasibility, Item 1 (Project Cost Chart) please find a copy of the Final Project Report for CN1009-044A, a copy of the Project Costs Chart for the Project Cost Overrun, and a letter from a contractor supporting the estimated construction costs associated with the Cost Overrun.

### 13. Section C. Economic Feasibility Item 1

The Chart comparing cost of the applicant's project that that of previously approved CONs in Attachment C. Economic Feasibility-3 is noted. However, please compare the cost per square foot of construction rather than cost per bed for the facilities listed in the attachment.

**RESPONSE:** Please find a chart comparing cost per square foot of construction of the Applicant's project to similar previously-approved CONs at Supplemental Response 1 – Section C, Economic Feasibility, Item 1: Cost Per Square Footage Comparison Chart. Per our conversation on April 24, 2013, this chart includes only those facilities that were included in the Staff Summary for the certificate of need application filed by Chattanooga Medical Investors Limited Partnership d/b/a Life Care Center of Ooltewah (CN1103-009). We were unable to find information related to the cost per square foot of construction for the other facilities listed in the previously-submitted Attachment C. Economic Feasibility-3. Please note that the Applicant's cost per square foot of construction compares very favorably to other recently-approved projects.

### 14. Section C, Economic Feasibility, Item 4 (Projected Data Chart)

Please provide the most recent Projected Data Chart that list management fees. A revised Projected Data Chart is provided at the end of the supplemental request.

**RESPONSE:** Please find attached at Supplemental Response 1 – Section C, Economic Feasibility, Item 4 (Projected Data Chart) a revised Projected Data Chart listing management fees separately.

### 15. Section C, Economic Feasibility, Item 5

April 25, 2013

Page 7

Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

**RESPONSE:** The Applicant has used the following average daily rates in its project, which reflect the estimated rates that the Applicant anticipates receiving in 2014:

<b>Payor Type</b>	<b>Estimated 2014 Average Daily Charge</b>
Skilled Private	\$400
Skilled Semi-Private	\$275
ICF Private	\$250
ICF Semi-Private	\$225
ICF Semi to Private	\$325

Because of the nature of the nursing home reimbursement system, the Applicant is paid a daily rate by both Medicare, under the Skilled Nursing Facility Prospective Payment System, and by Medicaid/TennCare, under a rate-setting mechanism. As such, the Applicant must accept the rate from each of these governmental payors as payment in full. The Applicant's Projected Cost Chart does allocate an amount for bad debt, receivables and contractual adjustments. Moreover, there are no other significant deductions from operating revenue, and the Applicant's rate equates to its net charge, with no significant difference between the gross and net charges.

#### **16. Section C, Economic Feasibility, Item 10**

Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. Only referencing attachments and responses found in application CN1009-044A is not an adequate response.

**RESPONSE:** The Applicant is a newly formed entity, created for the single purpose of developing and operating this facility. Since the facility has only recently commenced operations, it does not yet have a balance sheet or income statement completed.

#### **17. Section C, Orderly Development, Item 8**

The applicant has responded "not applicable" this question. Please clarify your response.

**RESPONSE:** The Applicant would like to clarify that there are no final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the Applicant or any entities or persons with more than a 5% ownership interest in the Applicant.

April 25, 2013

Page 8

**18. Section C, Orderly Development, Item 9**

The applicant has responded "not applicable" this question. Please clarify your response.

**RESPONSE:** The Applicant would like to clarify that there are no final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

**19. Project Completion forecast Chart**

Please submit a Project Completion forecast Chart.

**RESPONSE:** Please note that the Applicant's project is completed, and CN1304-012 is simply for the Project Cost Overrun that resulted from the completion of CN1009-044A. Nonetheless, attached at Supplemental Response 1 – Project Completion Forecast Chart, please find a completed Project Completion Forecast Chart.

**20. Proof of Publication**

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

**RESPONSE:** Attached at Supplemental Response 1 – Proof of Publication please find a publication affidavit from The Tennessean.

**April 25, 2013****8:20 am**

April 25, 2013  
Page 9

If you have any questions or need anything further, please do not hesitate to contact me.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

  
Michael D. Brent

MDB



**LP Nashville II – CN1304-012**

**Affidavit**

April 25, 2013

8:20 am

AFFIDAVIT

STATE OF KENTUCKY

2013 APR 25 AM 8:36

COUNTY OF JEFFERSON

John Harrison

being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

  
 SIGNATURE/TITLE

Sworn to and subscribed before me this 29<sup>th</sup> day of April 2013 a Notary  
 (Month) (Year)

Public in and for the County/State of JEFFERSON

  
 NOTARY PUBLIC

My commission expires August 23 2014  
 (Month/Day) (Year)

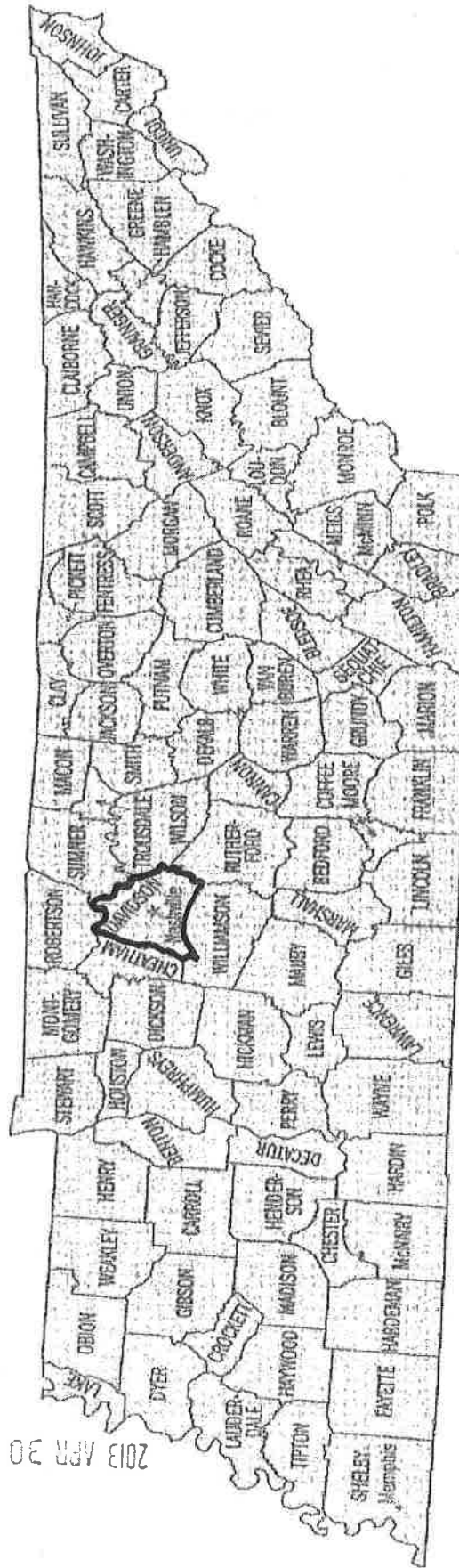


**LP Nashville II – CN1304-012**

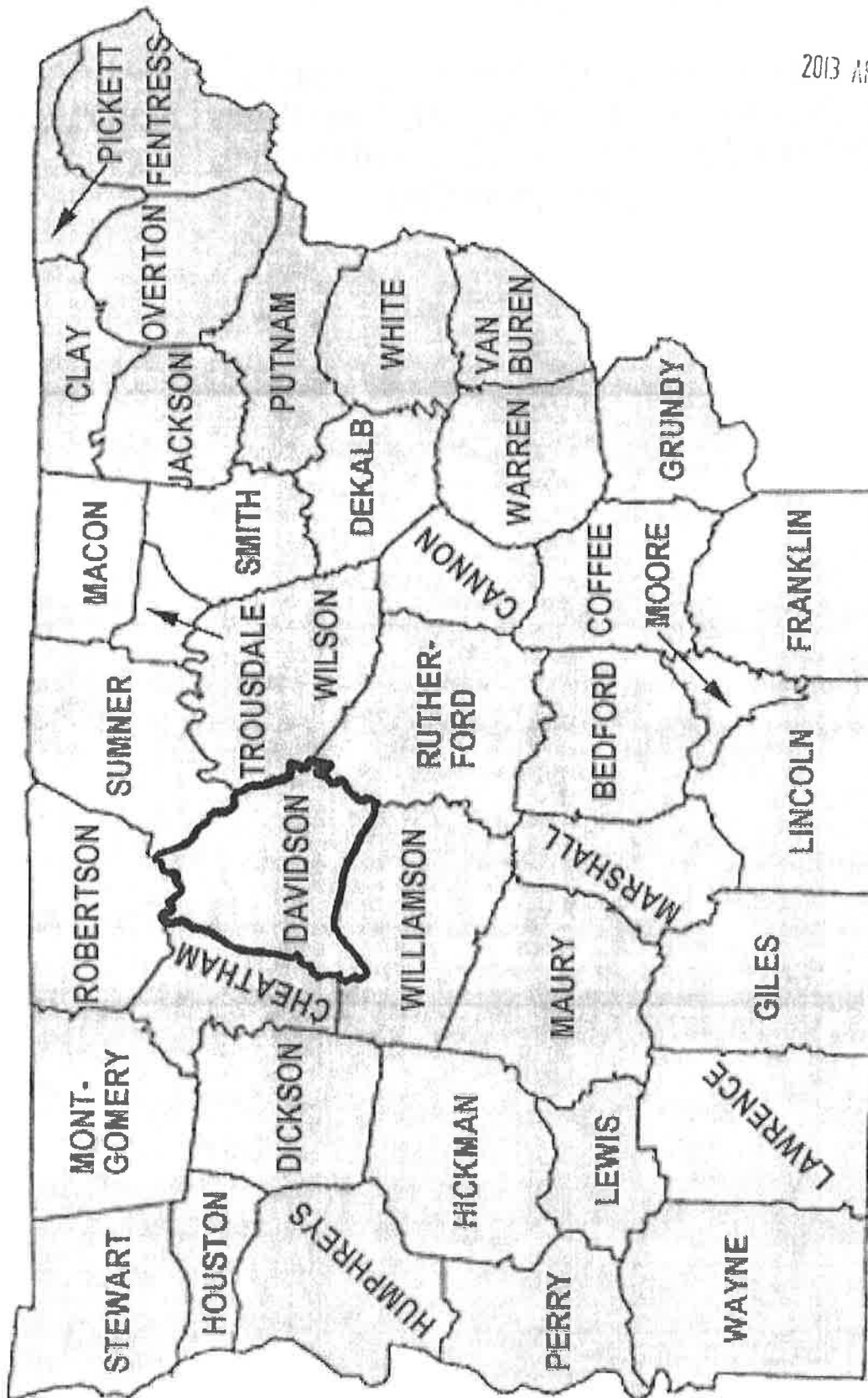
**SUPPLEMENTAL RESPONSE 1 – Section C, Need, Item II: Map  
of Service Area**

County Level Map Showing Proposed Service Area  
(Davidson County)

2013 APR 30 AM 9:23



2013 APR 25 AM 8:34



LP Nashville II – CN1304-012

**SUPPLEMENTAL RESPONSE 1 – Section C, Economic  
Feasibility, Item 1 (Project Cost Chart): Final Project Report for  
CN1009-044A, Project Costs Chart, and Documentation of  
Construction Costs**



## TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY FINAL PROJECT REPORT

Please TYPE or PRINT legibly.

Certificate of Need No. **CN1009-044A**Project Name: **LP Nashville II, LLC (SHC of Nashville Rehabilitation & Wellness Center)**Owner: **Health Care Reit**Contact: Description: **119 Bed - Skilled Nursing Facility**

Total Bed Complement Before Addition  
Total Bed Complement

**0****119**

What was the Final Completion Date (opened for public use)?

**01-28-2013**

Was the project completed as certified?

☒ YES☐ NO

(If not, describe any changes, deletions, and/or additions on additional sheets.)

**COST FACTORS**

	Original Cost Projection	Final Project Cost
<b>A. Construction and equipment acquired by purchase:</b>		
1. Architectural and Engineering Fees	850,555	472,763
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	175,000	223,876
3. Acquisition of Site	3,545,200	3,563,258
4. Preparation of Site	110,000	1,064,993
5. Construction Costs	5,341,965	9,033,154
6. Contingency Fund	470,006	0
7. Fixed Equipment (Not included in Construction Contract)	1,500,000	429,160
8. Moveable Equipment (List all equipment over \$50,000)	0	647,394
9. Other (Specify) <b>3rd Parties, Taxes, Permits, HUD</b>	307,741	182,417
<b>Subtotal</b>	<b>12,300,457</b>	<b>15,617,014</b>
<b>B. Acquisition by gift, donation, or lease:</b>		
1. Facility (inclusive of building and land)	NA	NA
2. Building only		
3. Land only		
4. Equipment (Specify) <b></b>		
5. Other (Specify) <b></b>		
<b>Subtotal</b>	<b>NA</b>	<b>NA</b>
<b>C. Financing Costs and Fees:</b>		
1. Interim Financing	869,755	1,078,364
2. Underwriting Costs	160,525	256,979
3. Reserve for One Year's Debt Service	0	0
4. Other (Specify) <b>Development Fee</b>	0	378,950
<b>Subtotal</b>	<b>1,030,820</b>	<b>1,714,293</b>

April 25, 2013  
8:20 am

D. Estimated Project Cost (A+B+C)  
E. CON Filing Fee  
F. Total Estimated Project Cost (D+E)

13,330,747	17,331,307
29,994	38,995
13,360,741	17,370,303

FINAL COST \$ 17,370,303

FINAL FILING FEE \$ 9,001

If the final project cost is an overrun of the estimated project cost, describe in detail all increases in final costs from those originally projected.

See Attached

The Final Filing Fee to be assessed on any cost overrun is to be computed at the rate current at the time the project was certified. Below is the outline of the rates from January 1994 through the present.

PERIOD	FILING FEE	PROJECT COST	TOTAL FILING FEE
January 30, 1994 through Present	\$2.25/\$1,000	\$3,000--\$45,000	\$2.25/\$1,000 Total filing fee (initial plus final) not to exceed \$45,000.

I hereby certify that this information is true to the best of my knowledge, information, and belief, and that supplemental written notification will be filed with the Tennessee Health Services and Development Agency in the event of any change in the information given in this report.



VP/General Counsel

April 15, 2013

Date

HF-0055

Revised 1/05 - All forms prior to this date are obsolete.



**TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY**  
**FINAL PROJECT REPORT**  
**NASHVILLE II**

SHC of Nashville Rehabilitation & Wellness Center

**Summary**

The Nashville Rehabilitation & Wellness Center was completed in January 2013 and received its first patient on 1/28/13. Overall, the project came in \$4m and three months over budget. Several major change order items were encountered which were not accounted for nor anticipated in the original budget.

The first was the site. The original engineering report showed a balanced site. However, once the excavating portion began, the site revealed a tremendous amount of rock that had to be blasted and removed, with fill materials brought in to stabilize. These site conditions led to unexpected expenses of about \$334k. In addition, the site budget was inadequate to fully fund the demolition of the existing buildings, grading, storm pipes and the finishing site costs which added \$621k.

The second major expense was the conditions surrounding the Perry Building. The Perry Building was the portion of the campus we had planned on keeping while the remainder of the campus was demolished. The as-built drawings provided to us were inaccurate causing the floor plan to not support the total CON. We were also notified later that this assisted living (residential) building would not be allowed to have any portions grandfathered in and this 40 year old building would have to meet and be upgraded to the current day (commercial) codes.

Then, as the Perry Bldg. upgrades were put in place and the building was closely examined, it became apparent it was going to require even more extensive repairs. The roof, roof decking, windows, walls, ceilings, lighting, elevator, generator, parking lot elevation and bathrooms all had to be fixed or replaced. Plus, there were still additional electrical, HVAC and plumbing change orders needed to make it fully operational and pass all the inspections. All this, combined with implementing the previous code upgrades, resulted in timing delays and the need to re-do much of the painting and cosmetics. In retrospect, the Perry building renovation was much costlier, and more time-intensive, than was ever anticipated. Only \$500k was originally set aside for what, ultimately, became a major retro-fitting and repair project, which resulted in a total renovation cost of about \$2.6m (\$91/sq. ft.), and a negative variance of \$2.1m.

Lastly, the New building's construction cost estimates were low in virtually every cost category, because of the numerous field modifications that had to be made to make the original design work. The Steel, Framing, HVAC, Electrical and Sprinkler sub-contracts were all higher than planned. And, the design changes/field modifications (many after the project had begun) also resulted in change orders and delays. The initial budget was a very optimistic \$118/square foot for the new construction. As completed, the new building (including all cost increases and change orders), was \$157/sq. ft. resulting in a \$1.6m negative cost variance (\$1.1m after applying the contingency fund). However, this is still lower than the State of Tennessee's published New Construction Costs for Nursing Homes with approved CON applications for the years 2009 – 2011, which states that the median cost is \$167.31 per Sq. Ft.

## Ambulatory Surgical Treatment Center Construction Cost Per Square Foot

Years: 2009 – 2011

2013 APR 25 AM 8:34

	Renovated Construction	New Construction	Total Construction
1 <sup>st</sup> Quartile	\$40.09/sq ft	\$200.00/sq ft	\$54.06/sq ft
Median	\$100.47/sq ft	\$252.74/sq ft	\$134.57/sq ft
3 <sup>rd</sup> Quartile	\$195.00/sq ft	\$371.75/sq ft	\$252.74/sq ft

Source: CON approved applications for years 2009 through 2011

## Hospital Construction Cost Per Square Foot

Years: 2009 – 2011

	Renovated Construction	New Construction	Total Construction
1 <sup>st</sup> Quartile	\$125.84/sq ft	\$235.86/sq ft	\$167.99/sq ft
Median	\$177.60/sq ft	\$274.63/sq ft	\$249.32/sq ft
3 <sup>rd</sup> Quartile	\$273.69/sq ft	\$324.00/sq ft	\$301.74/sq ft

Source: CON approved applications for years 2009 through 2011

## Nursing Home Construction Cost Per Square Foot

Years: 2009 – 2011

	Renovated Construction	New Construction	Total Construction
1 <sup>st</sup> Quartile	NA	\$158.44/sq ft	\$94.55/sq ft
Median	NA	\$167.31/sq ft	\$165.00/sq ft
3 <sup>rd</sup> Quartile	NA	\$176.00/sq ft	\$168.25/sq ft

Source: CON approved applications for years 2009 through 2011

Due to insufficient sample size, Renovated Construction is not available.

## Outpatient Diagnostic Center Construction Cost Per Square Foot

Years: 2009 – 2011

Due to insufficient sample size, Construction ranges are not available.

## TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

## FINAL PROJECT REPORT

NASHVILLE II

## Cost Increase Detail

SHC of Nashville Rehabilitation &amp; Wellness Center

<u>COST FACTORS</u>	<u>ORIGINAL COST PROJECTION</u>	<u>FINAL PROJECT COST</u>	<u>COST INCREASE (DECREASE)</u>
<b>SUMMARY</b>			
A1 Architectural & Engineering Fees	850,555	472,763	(377,792)
A2 Legal, Administrative, & Consultant Fees	175,000	223,876	48,876
A3 Acquisition of site	3,545,200	3,563,258	18,058
A4 Preparation of Site	110,000	1,064,993	954,993
A5a Construction Costs (New Building)	4,841,985	6,453,275	1,611,310
A5b Construction Costs (Perry Building - Renovation)	500,000	2,579,879	2,079,879
A6 Contingency (All applied to New Building)	470,006	-	(470,006)
A7 Fixed Equipment	1,500,000	429,160	(1,070,840)
A8 Moveable Equipment	-	647,394	647,394
A9 Other (3rd Parties, Taxes, Permits, HUD)	307,741	182,417	(125,324)
C1 Interim Financing (Interest)	869,755	1,078,364	208,609
C2 Underwriting Costs	160,525	256,979	96,454
C4 Other DEVELOPMENT FEE	-	378,950	378,950
E CON Filing Fee	29,994	38,995	9,001
<b>Total Project Cost</b>	<b>13,360,741</b>	<b>17,370,303</b>	<b>4,009,562</b>

**DETAIL - Description for all increases in final costs**

<b>A2 Legal, Administrative, &amp; Consultant Fees</b>			
a) Legal Fees	86,000	66,001	(19,999)
b) Consultant Fee - Dubois Construction	52,500	157,875	105,375
c) Other Administrative Costs	36,500	-	(36,500)
	<b>175,000</b>	<b>223,876</b>	<b>48,876</b>
<b>A3 Acquisition of site</b>			
a) Land & CON Purchase Costs (2 acquisitions)	3,545,200	3,545,200	-
b) Additional closing costs	-	18,058	18,058
	<b>3,545,200</b>	<b>3,563,258</b>	<b>18,058</b>
<b>A4 Preparation of Site</b>			
<b>Normal Site Costs</b>			
a) Demolition-Existing Buildings	-	134,097	134,097
b) Excavating, Grading & Storm pipes	110,000	304,734	194,734
c) Site Finish (Paving, sidewalks, landscaping)	-	292,142	292,142
	<b>110,000</b>	<b>730,973</b>	<b>620,973</b>
<b>Hitting Rock/Unbalanced Site</b>			
d) Demolition-Blast Rock under site	-	98,345	98,345
e) Trucking Services (rock out & gravel in)	-	93,552	93,552
f) Equipment Rental	-	45,642	45,642
g) Materials Costs (gravel in)	-	96,481	96,481
	<b>110,000</b>	<b>334,020</b>	<b>334,020</b>
	<b>110,000</b>	<b>1,064,993</b>	<b>954,993</b>

## TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

## FINAL PROJECT REPORT

NASHVILLE II

## Cost Increase Detail

SHC of Nashville Rehabilitation &amp; Wellness Center

<u>COST FACTORS</u>	ORIGINAL COST PROJECTION	FINAL PROJECT COST	COST INCREASE (DECREASE)
<b>A5a Construction Costs (New Building)</b>			
a) Project Mgmt/General Conditions	456,643	617,626	160,983
b) Shell (Foundation, Steel, Framing, roof, EIFS, brick)	1,480,727	1,682,300	201,573
c) Interior	1,053,995	1,210,379	156,384
d) Electrical, Lighting, Commun., Elevator, fire alarm	951,600	1,310,407	358,807
e) Plumbing	450,500	465,012	14,512
f) HVAC	225,000	728,600	503,600
g) Sprinklers	150,000	330,648	180,648
h) Utilities & Other	73,500	108,303	34,803
	<b>4,841,985</b>	<b>6,453,275</b>	<b>1,611,310</b>
<b>A5b Construction Costs (Existing Building - Renovation)</b>			
a) Parking Lot - Raise elevation	-	40,689	40,689
b) Steel - staircase	-	28,850	28,850
c) Roofs (Roof decking, roof repairs, new roofs, EIFS)	-	254,056	254,056
d) Interior-init'l (flooring, bath tiles, handrails, paint)	500,000	644,376	144,376
e) Interior-reno issues (bed count, re-engineer, plumbing)	-	151,000	151,000
f) Interior-repairs (ceiling, walls, faucets, windows, repaint)	-	467,578	467,578
g) Electrical & Lighting	-	317,489	317,489
h) Commun. & Oth Elect (generator, elev, phone, alarm)	-	159,927	159,927
i) Plumbing	-	35,000	35,000
j) HVAC	-	382,979	382,979
k) Utilities, equip. rental & other	-	97,935	97,935
Subtotal	<b>500,000</b>	<b>2,579,879</b>	<b>2,079,879</b>
<b>A8 Moveable Equipment</b>			
a) Furniture - Electric Beds & Rails	-	106,505	106,505
b) Furniture - Hydration Units w/ sinks	-	114,070	114,070
c) Furniture - Other (totaling < \$50,000 each)	-	260,651	260,651
d) Equipment - Therapy	-	127,954	127,954
e) Equipment - Other (totaling < \$50,000 each)	-	38,214	38,214
	<b>-</b>	<b>647,394</b>	<b>647,394</b>
<b>C1 Interim Financing (Interest)</b>			
a) Interest thru scheduled completion date - 10/31/12	869,755	728,983	(140,772)
b) Additional Interest - 3 months (thru 1/31/13)	-	349,381	349,381
	<b>869,755</b>	<b>1,078,364</b>	<b>208,609</b>

## TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

## FINAL PROJECT REPORT

NASHVILLE II

## Cost Increase Detail

SHC of Nashville Rehabilitation &amp; Wellness Center

<u>COST FACTORS</u>	ORIGINAL COST PROJECTION	FINAL PROJECT COST	COST INCREASE (DECREASE)
---------------------	-----------------------------	-----------------------	-----------------------------

C2 Underwriting Costs

a) Loan Transaction Fees (1%)	160,525	153,000	(7,525)
b) Lender Site Inspection Costs	-	32,339	32,339
c) Reporting, Title and Other Loan Costs	-	71,640	71,640
	<b>160,525</b>	<b>256,979</b>	<b>96,454</b>

C4 Other: Project Development Fee  
Fees to Signature HealthCare

	-	378,950	378,950
	<b>-</b>	<b>378,950</b>	<b>378,950</b>

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PROJECT COSTS CHART

**SUPPLEMENTAL- # 1**

April 25, 2013  
8:20 am

A. Construction and equipment acquired by purchase:

1. Architectural and Engineering Fees	\$472,768
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$223,876
3. Acquisition of Site	\$3,563,258
4. Preparation of Site	\$1,064,993
5. Construction Costs	\$9,033,154
6. Contingency Fund	\$0
7. Fixed Equipment (Not included in Construction Contract)	\$429,160
8. Moveable Equipment (List all equipment over \$50,000)	\$647,394
9. Other (Specify) 3rd parties, taxes, permits, HUD	\$182,417

B. Acquisition by gift, donation, or lease:

1. Facility (inclusive of building and land)	N/A
2. Building only	
3. Land only	
4. Equipment (Specify)	
5. Other (Specify)	N/A

C. Financing Costs and Fees:

1. Interim Financing	\$1,078,364
2. Underwriting Costs	\$256,979
3. Reserve for One Year's Debt Service	\$0
4. Other (Specify) Development Fee	\$378,950

D. Estimated Project Cost  
(A+B+C)

\$17,331,307

E. CON Filing Fee

\$38,995

F. Total Estimated Project Cost  
(D+E)

\$17,370,303

**TOTAL** \$17,370,303\*\*

\*\*Please note that the final project cost was \$17,370,303. Because the original cost projection was \$13,360,741, the resultant cost overrun of the completed project (CN1009-044A) was \$4,009,052.

**April 25, 2013****8:20 am***CONFIDENTIAL***SHC CONSTRUCTION SERVICES, LLC**

12201 Bluegrass Parkway

Louisville, KY 40299

Ph: 502.568.7800 Fx: 502.568.7160

mbushey@signaturehealthcarellc.com

April 23, 2013

Melanie Hill, Director  
Tennessee Health Services & Development Agency  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37243

Dear Ms. Hill:

I am writing on behalf of SHC Construction Services, LLC ("Contractor") with respect to CN1009-044A, which was approved for the combined replacement of the Lakeshore-Wedgewood and River Park nursing homes with an estimated project cost of \$13,360,741.00 (the "Project"). The Contractor served as the general contractor in connection with the Project and has reviewed the estimated project costs and the actual costs of the Project as now completed. The Contractor is hereby confirming that the actual construction costs for the Project is \$17,370,303.00 and that the additional excess costs are \$4,009,562.00 and is asserting that these costs are reasonable based on the facts and circumstances of the Project.

Please do not hesitate to contact me directly at (502) 568-7800 if you have any questions.

Very truly yours,

A handwritten signature in dark ink, appearing to be "MB", followed by a long horizontal line extending to the right.

Mike Bushey  
General Contractor (TN GC# 00062100)  
SHC Construction Services, LLC

**LP Nashville II – CN1304-012**

**SUPPLEMENTAL RESPONSE 1 – Section C, Economic  
Feasibility, Item 1: Cost Per Square Footage Comparison Chart**



# Cost Per Square Foot Comparison to Recently-Approved Projects

Project	Action	Date	Description	Cost/SF	County	No.
LP Nashville II (Applicant)	Approved	12/15/2010	Replacement 119 bed nursing home at 832 Wedgewood Ave., Nash. 37203 combined replacement of 61 beds Lakeshore (832 Wedgewood) and relocation of 58 bed River Park Health Care from 1306 Katie Ave, Nash 37207, Nashville 37221.	\$124.00	Davidson	CN1009-044A
Chattanooga Medical Investors Limited Partnership d/b/a Life Care Center of Ooltewah	Approved	7/27/2011	The relocation and replacement of a nursing home from 455 North Highland Park Ave., Chattanooga 37404 to yet assigned address located on the northeast corner of Mountain View Road and Snow Hill Road, Ooltewah 37363. The licensed beds will decrease from 153 to 120.	\$165.00	Hamilton	CN1103-009
Highland Park Medical Investors, LLC dba Life Care Center of Stones River	Approved	9/23/2009	Relocation of previously approved CN0706047A and replacement nursing home containing 124 beds from 5710 Knob Rd. to unaddressed site on Murfreesboro Rd., Antioch. Numer of licensed beds will not change.	\$172.00	Davidson	CN0203-021
Nashville Medical Investors, LLC d/b/a Life Care Center of Old Hickory	Approved	9/23/2009	Relocation and replacement of 159 bed nursing home (Life Care Center of Nashville) previously located at 701 Porter Road, Nashville (37206) to 1250 Robinson Road, Old Hickory (37138). Licensed beds will not change and will be certified for Medicare/Medicaid.	\$168.00	Davidson	CN0906-030
Life Care Center of Missionary Ridge	Approved	9/24/2008	The replacement and relocation of a 78-bed nursing home from 708 Dwight Avenue to 5501 Old Hixson Pike, Chattanooga. The addition of 30 beds, increasing the beds from 78 to 108. De-certify 30 beds from Life Care Center of East Ridge.	\$176.00	Hamilton	CN0806-038A
Lakeshore Estates, Inc. d/b/a The Meadows	Approved	11/14/2007	The replacement and relocation of 61 nursing home beds from Lakeshore Wedgewood at 832 Wedgewood Avenue to 8044 Coley Davis Road, Nashville.	\$150.00	Davidson	CN0708-012
NHC Place at Hendersonville	Approved	5/23/2007	The replacement and relocation of the existing thirty-two (32) licensed bed Hendersonville Nursing and the addition of thirty (30) new Medicare certified nursing home beds for a total of sixty-two (62) nursing home beds.	\$145.00	Sumner	CN0702-014A

**SUPPLEMENTAL- # 1**  
**April 25, 2013**  
**8:20 am**

**LP Nashville II – CN1304-012**

**SUPPLEMENTAL RESPONSE 1 – Section C, Economic  
Feasibility, Item 4 (Projected Data Chart): Projected Data Chart  
Listing Management Fees**

**LP Nashville II – CN1304-012****SUPPLEMENTAL RESPONSE 1 – Project Completion Forecast**  
**Chart**

## PROJECT COMPLETION FORECAST CHART

April 25, 2013  
8:20 am

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): 12/15/2010

Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

<u>Phase</u>	<u>DAYS REQUIRED</u>	<u>Anticipated Date (MONTH/YEAR)</u>
1. <u>Architectural and engineering contract signed</u>	<input type="text"/>	<input type="text"/>
2. <u>Construction documents approved by the Tennessee Department of Health</u>	<input type="text"/>	<input type="text"/>
3. <u>Construction contract signed</u>	<input type="text"/>	<input type="text"/>
4. <u>Building permit secured</u>	<input type="text"/>	<input type="text"/>
5. <u>Site preparation completed</u>	<input type="text"/>	<input type="text"/>
6. <u>Building construction commenced</u>	<input type="text"/>	<input type="text"/>
7. <u>Construction 40% complete</u>	<input type="text"/>	<input type="text"/>
8. <u>Construction 80% complete</u>	<input type="text"/>	<input type="text"/>
9. <u>Construction 100% complete (approved for occupancy)</u>	<input type="text"/>	<input type="text"/>
10. <u>*Issuance of license</u>	<input type="text"/>	01/17/2013
11. <u>*Initiation of service</u>	<input type="text"/>	01/28/2013
12. <u>Final Architectural Certification of Payment</u>	<input type="text"/>	<input type="text"/>
13. <u>Final Project Report Form (HP-0055)</u>	<input type="text"/>	04/18/2013

\* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

**LP Nashville II – CN1304-012**

**SUPPLEMENTAL RESPONSE 1 – Proof of Publication**

APR. 23. 2013 1:31PM  
0101642090

102  
Affidavit of Publications

NO. 134 P. 1  
**SUPPLEMENTAL- # 1**  
April 25, 2013  
8:20 am

**Newspaper:** THE TENNESSEAN

2013 APR 25 AM 8:31

TEAR SHEET  
ATTACHED

**State Of Tennessee**

**Account Number:** 506089

**Advertiser:** BRADLEY ARANT/BOULT CUMMINGS

**RE:** NOTIFICATION OF INTENT TO APPLY FOR A CE

I, Holly Penny Sales Assistant for the

above mentioned newspaper, hereby certify that the attached  
advertisement appeared in said newspaper on the following dates:

4/10/2013

Holly Penny

2013

Subscribed and sworn to me this 23 day of April,

Lela Bates

NOTARY PUBLIC



# **COPY- SUPPLEMENTAL-2**

**LP Nashville/ Signature Healthcare  
CN1304-012**

April 30, 2013

9:20 am



Michael D. Brent  
Direct: 615.252.2361  
Fax: 615.252.6361  
mbrent@babco.com

2013 APR 30 AM 9:25

April 30, 2013

**VIA hand delivery**

Mr. Phillip M. Earhart  
Health Services Development Examiner  
Tennessee Health Services & Development Agency  
161 Rosa Parks Boulevard  
Nashville, Tennessee 37203

Re: LP Nashville II, LLC (CN1304-012) – Second Supplemental Response

Dear Phillip:

Please allow this letter to serve as a response to your letter of April 26, 2013, requesting supplemental information for the above-listed certificate of need application. This letter and the corresponding attachments have been reviewed by an officer of the Applicant, and an appropriate affidavit is attached. As noted in the letter which accompanied the original CON application for CN1304-012, we respectfully request that you place this application on the consent agenda.

**1. Section B, Project Description, Item II.A.**

The Square Footage and Cost per Square Footage Chart and a description of facility design is noted. However, please provide a revised Square Footage and Cost per Square Footage Chart that includes the cost over-run of \$4,019,023. A sample Square Footage and Cost per Square Footage Chart is included.

**RESPONSE:** Please find a revised Square Footage and Cost per Square Footage Chart attached at Supplemental Response 2 – Section B, Project Description, Item II.A.

**2. Section C, Need, Item II**

The county level map for Middle Tennessee is noted. However, please submit a State of Tennessee county level map that clearly reflects the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).** A sample Tennessee county level map is included.

**RESPONSE:** Please find a State of Tennessee county level map that reflects the Applicant's service area attached at Supplemental Response 2 – Section C, Need, Item II.



Health Services and Development Agency  
April 30, 2013  
Page 2

**3. Section C. Economic Feasibility Item 1 (Project Cost Chart)**

Please provide a Project Costs Chart for the \$4,009,562 Project Cost Overrun.  
Please complete the attached Project Cost Chart.

**RESPONSE:** Please find a Project Costs Chart for the cost overrun attached at Supplemental Response 2 – Section C, Economic Feasibility, Item 1.

**4. Section C, Economic Feasibility, Item 4 (Projected Data Chart)**

The Projected Data Chart with management fees is noted. On line A please provide the projected number of patient days for each of the first two years of operation. A sample Projected Data Chart is provided.

**RESPONSE:** Please find a revised Projected Data Chart with the projected number of patient days attached at Supplemental Response 2 – Section C, Economic Feasibility, Item 4.

**5. Proof of Publication**

The publication affidavit from the newspaper as proof of the publication of the letter of intent is noted. Please also provide a copy of the newspaper publication that the Affidavit is verifying.

**RESPONSE:** Please find attached a copy of the newspaper publication and the publication affidavit from the newspaper proving publication of the letter of intent attached at Supplemental Response 2 – Proof of Publication.

If you have any questions or need anything further, please do not hesitate to contact me.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

Michael D. Brent



MDB

**LP Nashville II – CN1304-012**

**Affidavit**

AFFIDAVITSTATE OF Kentucky

2013 APR 30 AM 9:23

COUNTY OF Jefferson

NAME OF FACILITY: LP Nashville II, LLC

I, Sandra Adams, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Sandra Adams, V.P./General Counsel  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_,  
witness my hand at office in the County of Jefferson, State of Tennessee.

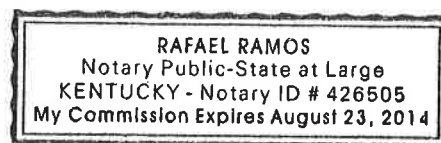
Commonwealth of  
Kentucky

Rafael Ramos  
NOTARY PUBLIC

My commission expires August 23, 2014.

HF-0043

Revised 7/02



**LP Nashville II – CN1304-012**

**SUPPLEMENTAL RESPONSE 2 – Section B, Project Description,**  
**Item II.A.: Square Footage and Cost per Square Footage Chart**

**LP Nashville II – CN1304-012**

**SUPPLEMENTAL RESPONSE 2 – Section C, Economic  
Feasibility, Item 1: Project Costs Chart**

**LP Nashville II – CN1304-012**

**SUPPLEMENTAL RESPONSE 2 – Proof of Publication: Copy of  
Newspaper Publication of Letter of Intent**

APR. 23. 2013 1:31PM  
0101642090

111  
Affidavit of Publications

NO. 134 P. 1  
**SUPPLEMENTAL- # 2**  
April 30, 2013  
9:20 am

**Newspaper:** THE TENNESSEAN

2013 APR 30 AM 9: 22

**State Of Tennessee**

TEAR SHEET  
ATTACHED

**Account Number:** 506089

**Advertiser:** BRADLEY ARANT/BOULT CUMMINGS

**RE:** NOTIFICATION OF INTENT TO APPLY FOR A CE

I, Nolly Penny Sales Assistant for the

above mentioned newspaper, hereby certify that the attached  
advertisement appeared in said newspaper on the following dates:

4/10/2013

Nolly Penny

2013

Subscribed and sworn to me this 23 day of April,

Lela Bates

NOTARY PUBLIC













2013 APR 10 PM 1:00

## LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Tennessean which is a newspaper of general circulation in Davidson County, Tennessee, on or before April 10, 2013 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency,

LP Nashville II, LLC d/b/a Signature Healthcare of Nashville Rehabilitation & Wellness Center

(Name of Applicant)

nursing home

(Facility Type-Existing)

owned by: LP Nashville II, LLC with an ownership type of limited liability company

and to be managed by: Signature Clinical Consulting Services intends to file an application for a Certificate of Need for [PROJECT DESCRIPTION BEGINS HERE]; and Signature Consulting Services, LLC (Mgmt/Consulting)

for the cost overrun of approximately Four Million Ten Thousand Dollars (\$4,010,000) that occurred as a result of complications associated with implementing its previously-approved Certificate of Need application, CN1009-044A. The address of the facility is 832 Wedgewood Ave., Nashville, TN 37203.

The anticipated date of filing the application is: April 15, 2013

The contact person for this project is Michael Brent Attorney

(Contact Name)

(Title)

who may be reached at: Bradley Arant Boult Cummings LLP 1600 Division Street, Suite 700

(Company Name)

(Address)

Nashville TN 37203 615/252-2361

(City)

(State)

(Zip Code)

(Area Code / Phone Number)

[Signature] 4-10-13 mbrent@babc.com

(Signature)

(Date)

(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency  
The Frost Building, Third Floor  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

**CERTIFICATE OF NEED  
REVIEWED BY THE DEPARTMENT OF HEALTH  
DIVISION OF POLICY, PLANNING AND ASSESSMENT  
OFFICE OF HEALTH STATISTICS  
615-741-1954**

**DATE:** July 1, 2013

**APPLICANT:** LP Nashville II, LLC  
d/b/a Signature Healthcare of Nashville Rehabilitation and  
Wellness Center  
832 Wedgewood Avenue  
Nashville, Tennessee

**CON #:** CN1304-012

**COST:** \$4,009,562

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In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's Health: Guidelines for Growth, 2011 Edition*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

**SUMMARY:**

The applicant LP Nashville II, LLC d/b/a Signature Healthcare of Nashville Rehabilitation and Wellness Center, a nursing home, is seeking Certificate of Need approval from the Health Services and Development Agency for the cost overrun of approximately \$4,009,562 that occurred due to the complications associated with the implementation of its previously approved Certificate of Need application, CN1009-044A.

The previously approved CON project, CN1009-044A was for a replacement skilled nursing facility consisting of 119 dually certified beds to be located at 832 Wedgewood Avenue in Nashville, Tennessee. The approved CON application involved the replacement of 61 nursing home beds at Lakeshore Wedgewood nursing home facility and the relocation of the 58 nursing home beds from River Park Health Care to the aforementioned site. CON project, CN1009-044A is now complete and the applicant has documented in Supplemental #1, Section C, Economic Feasibility, Item 1 that fact by submitting to the Health Services and Development a Final Project Report for CN1009-044A.

The Health Services and Development Agency determined, based on its review of the current CON application CN1304-012, that the application presented by Signature Healthcare of Nashville Rehabilitation and Wellness Center met the Need Criteria as set forth in the document *Tennessee's Health: Guidelines for Growth, 2011 Edition*. The Health Services and Development Agency has notified the applicant and the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics that CN1304-012 will be placed on the Consent Calendar.

The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics, based on its review of the Certificate of Need application CN1304-012, has verified that the application, if approved by the Health Services and Development Agency, would not increase the total number of licensed nursing home beds at Signature Healthcare of Nashville Rehabilitation and Wellness Center and does not increase or decrease the total number of licensed nursing home beds in the Davidson County service area.

## GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's Health: Guidelines for Growth, 2011 Edition*.

### NEED:

County	2013 Population	2017 Population	% Increase/ (Decrease)
Davidson	605,293	622,476	2.8%

Source: *Tennessee Population Projections 2000-2020, February 2008 Revision*, Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics

The applicant and the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics has been informed by the Health Services and Development Agency that this application would be placed on the Consent Calendar as the need for this project has been established to the satisfaction of the Agency.

The need for this project is due to the project's cost overrun incurred in the completion of CN1009-044A as noted by the applicant in its response to Question 12, Section C, Economic Feasibility, Item 1 (Project Cost Chart) in Supplemental #1 on page 6.

### TENNCARE/MEDICARE ACCESS:

The applicant intends to participate in Medicare and TennCare and it will contract with all TennCare MCOs serving its service area. The applicant's original CON application on pages 7-8 in Section A. Applicant Profile, Item 13 notes it will contract with the two (2) TennCare MCOs in the service area AmeriChoice and Blue Cross Blue Shield of Tennessee. HSDA staff during their review of this CON application identified the following TennCare MCOs that serve Davidson County: AmeriChoice, AmeriGroup and TennCare Select. The applicant in Supplemental #1 on page 2 in response to Question 5 states it will contract with all TennCare MCOs within its service area.

### ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

The Department of Health, Division of Policy, Planning and Assessment have reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine they are mathematically accurate and the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

**Project Costs Chart:** The revised Project Costs Chart is found in Supplemental #2, Section C, Economic Feasibility as Item 4. The Project Costs Chart contains the \$4,000,561 cost overrun and the \$9,001 CON filing fee. The total estimated project cost of \$4,009,562.

**Historical Data Chart:** This is a new 119 bed skilled nursing facility and has no previous historical data.

**Projected Data Chart:** The Projected Data Chart is found in Supplemental #2. The applicant projects it will have a net operating income of (\$740,558) and \$1,110,340 each year, respectively.

The purpose of this CON application is to gain HSDA approval for the cost overruns experienced during the construction and renovation of a replacement skilled nursing home facility consisting of 119 dually certified nursing home beds previously approved as CN1009-044A for Signature Healthcare of Nashville Rehabilitation and Wellness Center. The actual cost of the overrun was funded from two (2) sources. The first source was from the cash reserves of the applicant and its affiliate SHC. The applicant, through its affiliate SHC's Chief Financial Officer, documented its financial position as set forth as Attachment C, Financial Feasibility, Item 2 in the CON application.

The second source of funding for the cost overrun was partially funded by Health Care REIT, Inc. (HCR) when the applicant increased the Maximum Contingent Payment Amount on its loan under the master lease from \$13,900,000 to 15,300,000. This discussion can be found in the CON application in response to Question 2 on pages 20 and 21.

**CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:**

The project as, set forth in CN1304-012, is only for the cost overrun incurred as the result of the implementation of CN1009-044A and does not increase or decrease the number of skilled nursing home beds in the service area or impact the utilization of other contiguous nursing homes in the service area. The cost of this project has is being borne by the applicant and its affiliate SHC and by Health Care REIT, Inc. as previously noted in this report. Therefore, there is no indication based on the review conducted by the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics that this CON will adversely impact the orderly development of healthcare in its service area.

***SPECIFIC CRITERIA FOR CERTIFICATE OF NEED***

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's Health: Guidelines for Growth, 2011 Edition*.

*The Specific Criteria for Certificate of Need are not applicable to this project.*